UNIVERSITY OF ALBERTA

AUTONOMY, DECISION MAKING, AND PERFORMANCE-BASED FUNDING IN SELECTED ALBERTA COLLEGES

BY

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The undersigned certify that they have read, and recommended to the Faculty of Graduate Studies and Research for acceptance, a thesis entitled AUTONOMY, DECISION MAKING, AND PERFORMANCE BASED FUNDING IN SELECTED ALBERTA COLLEGES submitted by CLAUDINE CORBETT-LOURENÇO in partial fulfillment of the requirements for the degree of DOCTOR OF PHILOSOPHY in Educational Administration and Leadership.

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Dedication

This thesis is dedicated to my husband, José Julio Pereira Lourenço, whose constant support, love, and absolute commitment to my undertaking this endeavour, has made it one of my most personally rewarding life experiences.

Abstract

The purpose of this study was to determine whether performance-based funding, as implemented in Alberta, acted as a means of addressing accountability in the province's postsecondary system, as determined by senior college executives. The research examined the effect that implementation of the Performance Envelope has had on decision making, strategic planning, and governance in the college sector. The policy environment model proposed by Kerr (2000) was employed as the basis for the conceptual framework utilized in the study.

The research was based on data collection from personal interviews with selected college presidents and their academic and administrative vice presidents in the Alberta postsecondary system. A semistructured, open-ended interview schedule was developed to address five categories: (a) decision making, (b) change, (c) strategic planning, (d) governance, and (e) accountability. The data were analysed using Bolman and Deal's (1997) organizational design model.

Major findings were organized into three primary categories: (a) policy environment, (b) institutional environment, and (c) emergent environment. It was found that the accountability policy and the 21% system cutback had a substantial effect on the college sector and that performance-based funding impacts decision making, strategic planning, and business plan development. After the interviews it was concluded that current system funding is unsustainable and in conflict with system goals related to funding stability, infrastructure issues, and human-resource management. As well, accountability will continue to be the most predominant factor in future system policy development.

A revised conceptual model was developed to highlight the dominant role that the policy environment has in the PSI system. Implications for practice and recommendations for further research were proposed.

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Table of Contents

Page

CHAPTER 1: INTRODUCTION 1

Background of the Study 2

Statement of the Problem 4

General Research Question 6

Delimitations and Limitations 7

Delimitations 7

Limitations 8

Personal Biases 11

Definitions of Terms 11

Summary 14

CHAPTER 2: LITERATURE REVIEW 15

Performance indicators 15

Performance-Based Funding 20

Accountability in Higher Education 30

Autonomy and Decision Making in Colleges 36

Conceptual Framework 40

Summary 44

CHAPTER 3: RESEARCH DESIGN AND METHOD 46

Approach to Research 46

Research Design 48

General Research Question 49

Page

Nature of the Study 49
Research Method 50
Selection of the Participants 51
Selection of the Instrument 53
Interview Schedule 53
Pilot Study 54
Permission to Undertake the Research 56
Data Collection 57
Data Analysis 58
Trustworthiness 59
Ethical Considerations 60
Summary 61
CHAPTER 4: THE ALBERTA CONTEXT 62
Federal Government Involvement in Funding Higher Education 62
Federal Government Funding 63
The Alberta System 68
The Evolution of Envelope Funding in Alberta 70
Performance Envelope Implementation 79
The System Today 83
Summary 85

Page

CHAPTER 5: DATA ANALYSES 90

Background of the Participants 90

Research Themes 94

Policy Environment 95

System Restructuring: The 21% 95

Business Modeling 99

Performance Envelope Implementation 102

Growth 107

Award Dollars 109

Public Relations 111

Institutional Environment 114

Governance 114

Decision Making 120

The Process 120

Values 123

Changed Processes 124

Strategic Planning 129

Business Plan Alignment 135

Autonomy 138

Emergent Environment 141

Permanent Accountability 141

The Role of the President 145

Page

System Reinvestment 148
Infrastructure 148
Human Resources 152
Summary 154
CHAPTER 6: MAJOR FINDINGS AND DISCUSSION 158
Organizational Frames 158
Findings and Discussion Related to Question 1 160
Findings and Discussions Related to Question 2 167
Findings and Discussion Related to Question 3 172
Findings and Discussion Related to Question 4 176
Findings and Discussion Related to Question 5 181
Findings and Discussion Related to Colleges' Ability to Plan for Their Future 184
Subquestion 1 184
Subquestion 2 186
Subquestion 3 187
Findings and Discussion Related to Other Key Issues Involving the Department 190
Issue 1 190
Issue 2 190
Issue 3 191
Issue 4 192

Page

Findings Related to the Purpose of the Study 192

Summary 193

CHAPTER 7: SUMMARY, CONCLUSIONS, RECOMMENDATIONS AND IMPLICATIONS 195

Summary of the Research 195

Overview 195

The Research Question 196

The Research Design 198

Major Findings 199

Conclusions 201

Policy Environment 201

Conclusion 1 201

Conclusion 2 202

Institutional Environment 202

Conclusion 3 202

Conclusion 4 203

Conclusion 5 203

Conclusion 6 203

Conclusion 7 204

Conclusion 8 204

Conclusion 9 204

Emergent Environment 205

Page

Conclusion 10 205
Conclusion 11 205
Conclusion 12 205
Conclusion 13 206
Recommendations 206
Policy Environment 206
Recommendation 1 206
Institutional Environment 208
Recommendation 2 208
Recommendation 3 210
Emergent Environment 210
Recommendation 4 210
Recommendation 5 212
Revised Conceptual Framework 213
Personal Reflections 217
REFERENCES 219
APPENDIX A: INTERVIEW GUIDE 226
APPENDIX B: PARTICIPANT LETTER AND CONSENT FORM 230
APPENDIX C: TRANSCRIPT LETTER 233

List of Tables

Table | Page

5.1. Research Themes 94

List of Figures

Figure Page

2.1. Conceptual Framework 42

6.1. Bolman and Deal's Organizational Frames 159

7.1 Revised Conceptual Framework 214

CHAPTER 1

INTRODUCTION

> *Learning is fundamental to the economic prosperity and social well being of Alberta. Learning is the means by which we can identify and benefit from the opportunities made possible through change.* (AECD, 1994a, p. 1)

Alberta's serious debt situation was the key issue during the 1993 provincial election. Deficit reduction was chosen as the primary strategy by the Progressive Conservative government to deal with the issue. The Government Accountability Act and the Deficit Elimination Act provided the mechanisms to enact the strategy. In *Budget '93* the Provincial Treasurer required each Ministry to develop a three-year business plan. Consequently, in early 1994 the Department of Advanced Education and Career Development (AECD) developed its business plan based on four key business goals: (a) accessibility, (b) responsiveness, (c) affordability, and (d) accountability. For the first time, public postsecondary institutions (PSIs) were required to develop three-year business plans; these plans would be based on externally determined business goals. This was the most recent signal of eroding autonomy for publicly funded educational institutions. The planning focus was on outcomes rather than inputs and required that results be measured, compared, and reported. Compliance with the Accountability Act and three-year business plan requirement became the catalysts that eventually changed how higher education was funded and delivered in Alberta.

Background of the Study

Underlying the debt reduction strategy in the early 1990s was an expressed belief heard during public consultations that education, as one key area, needed to be more accountable for its outcomes as they related to the economic needs of the province. Education became one of the key targets for major funding decreases because it comprised the second largest expenditure area in the provincial budget. In 1994/1995 the government quickly announced a devastating reduction to PSIs of 11%; that amount was to eventually climb to slightly over 21% by 1996/1997. Stated in a news release that accompanied the Ministry's 1994 Draft White Paper, *An Agenda for Change* (AECD, 1994a), was an explicit reference to revising the adult learning system. It stated that the intent was "to ensure responsiveness and accountability to learners and taxpayers, to enable Albertans to participate in a changing economy and work force, and to promote access to affordable, quality learning opportunities" (p. 1). *An Agenda for Change* also referred to, among other planned initiatives, developing an accountability framework and outcome-focused performance measures.

AECD's (1994b) policy document, *New Directions for Adult Learning in Alberta*, soon followed. It committed to the four business goals and to pilot the implementation of a performance-based funding model by 1996/1997. This new funding mechanism would reward "an institution's performance in providing accessibility, quality and relevance to the needs of the learner at the lowest possible cost" (p. 15). PSIs complied with the policy and developed their three-year plans. Interestingly, AECD's three-year business plan was developed prior to the release of *New Directions*, a fact that undermined future consultations with PSIs.

Clearly, what was emerging in funding discussions within government related to a market model of education as opposed to a societal model. AECD (1995f) released *A Proposal for Performance Based Funding*, in which institutions were to be awarded performance funding based on a calculation that used key performance indicators (KPIs). Development of these indicators had been another initiative identified in *New Directions* (AECD, 1994b) and had been ongoing since 1993. A working group from the PSIs and AECD was charged with developing a method to collect consistent, comparative costing data to be used publicly for reporting results from the PSIs. Indicators were developed for each business plan goal; these KPIs became the accountability implementation tool, the measurement instrument for the institutional report cards that was based on a performance rating calculation. As concluded by Kerr (2000), "KPIs acted like an invisible hand that increased the ability of AECD to get the system to respond to its priorities. KPIs are very visible to everyone in the implementation chain" (p. 172).

The base year for data collection became 1994/1995, the first year of the system budget cutbacks and for many institutions their peak year for enrollment. Data were reported for primary KPIs such as student satisfaction, employment, and full-load equivalent (FLE) students. During the first round of performance funding in 1997/1998 all PSIs received a 1% system award. Eight of the 21 institutions received top performance awards that added another 1.5% to their total award. These awards were announced publicly. In July 1998 a second round of awards was announced; 12 of the 21 institutions received top awards of 1.26%, which reflected the commitment to the Performance Envelope by AECD of $15M. This annual budget amount had not changed since the previous year, causing a reduced overall performance award due to more

institutions receiving top awards. Fewer institutions received no rewards in the second round. The amount increased to approximately $17.6M for 1999/2000 and for the fourth round, approximately $25M. As anticipated, some of the smaller, rural institutions performed poorly and received only the system awards.

Pressure mounted to develop a mechanism that would act as an incentive, not a disincentive, to perform. Since round two it became common knowledge that the driver for the performance award was increased FLE. A review of the Performance Envelope pilot was delayed but did take place in late fall 1998. The results of that review were not made public, although they were made available to the institutions in the spring of 1999. The performance awards for the 1999/2000 budget year were not announced publicly but were given to the PSIs in their annual budget letter. The same process transpired for 2000/2001. How institutions perform is now reported in the government's annual report, which includes financial and performance results. The results of a recent MLA funding review embedded the Performance Envelope as part of the overall funding mechanism. The amount has been increased to $25M. The award will be based on improved performance only; the system award will not be included, but 3% of the total base operating grant has been guaranteed into the future for PSIs.

Statement of the Problem

Inherent in the introduction of a revised funding mechanism that includes targeted envelope funding is the belief that autonomous decision making is being devolved. PSIs were now being steered by priorities identified externally by government. These priorities were based on government's business and fiscal goals and operationalized in their ministries' three-year business plans. These measures were in response to public demands

for accountability from institutions that are dependent on the public purse for funding. Initially, government reduced the number of dollars transferred to institutions through a budget driven by a deficit-reduction strategy that, over a three-year period, inflicted a 21% operations grant decrease, forcing institutions to make radical changes in how they functioned both administratively and operationally. With the introduction of the revised funding model tied specifically to government-determined goals and not necessarily reflecting institutional goals, there was now a clear indication that institutional autonomy was being affected. An initial concern expressed by educators and administrators predicted that quality education would be negatively impacted due to a focus on increasing accessibility for students with no new government funding to support these increases. Any injection of new money to PSIs was available only through targeted funding envelopes such as the Performance, Accessibility, Learning Enhancement, Infrastructure, and Research Envelopes. The latter was targeted funding for universities. Each envelope had its own requirements and reporting structure.

I was interested in learning whether performance-based funding, as implemented by Alberta Advanced Education and Career Development, acted as anticipated as a means of addressing government accountability and in the process improved the province's postsecondary system as determined by the senior college executive team. Specifically, had the college sector experienced (a) improved accountability, (b) increased access, (c) improved learner outcomes, and (d) improved quality, as planned for when the revised funding model was first presented? Although laudable goals, investment rather than divestment would seem more appropriate. The research was intended to inform on this point. I was also interested in the effect that implementation of

the Performance Envelope has had on decision making, strategic planning, and governance in the college sector as experienced by both rural and urban institutions.

General Research Question

It was within this context that the general research question developed: "How has the Performance Envelope, as applied in Alberta, served as an incentive to colleges to make changes that would support both the colleges' strategic direction and the ministry's objectives of accessibility, quality, and relevance?" To address this question, the following specific research questions emerged:

1. What is the nature of the decision-making process in the college, and how has the Performance Envelope affected the process?
2. How have institutional governance and autonomy changed as a result of the Performance Envelope?
3. How closely aligned are the college's strategic goals with the goals set out by the Ministry of Learning?
4. What structures were put into place to accommodate the Performance Envelope?
5. What other changes occurred at the college as a result of the Performance Envelope?

Related to the specific research question are issues associated with colleges' ability (a) to develop a strategic plan unimpeded by external influences as the driver, (b) to fund for growth and accessibility, and (c) to strive for sustainability that reflects its vision. Other issues are associated with the department's effort to further its priorities, such as:

1. promoting educational programs in specified areas;
2. ensuring that awards are equitably distributed using appropriate indicators that take into consideration the different types of mandates, programs, institutional size, and geographic locations;
3. addressing the fluctuations in the educational system that are tied to economic growth or to the downsized areas of the economy; and
4. encouraging cooperation between institutions on programming initiatives.

Delimitations and Limitations

Delimitations

The study was delimited to collecting data from current presidents in the public college system who had been in their position since January 1997 and their current academic and administrative vice presidents. This date ensured that these presidents participated in the consultation process on a key document related to the general question of this study. That document, *Encouraging Excellence and Rewarding Success in Alberta's Public Adult Learning System: A Proposal for Implementing a Performance Based Funding Envelope* (AECD, 1996b), reported on the current status of the Performance Envelope and was the first look at the financial implications of the calculations for their college. Colleges were also preparing their second three-year business plan submission based on a template provided by the ministry and one that related to the department's goals.

The respondent group included four college presidents and their current academic and administrative vice presidents. Colleges from the north, south, and central regions were chosen, representing both the urban and rural areas. The presidents were chosen to

ensure that a breadth of experience from the college sector was represented in the study. It was anticipated that their input would provide a balanced view on the impact of performance funding on their strategic planning and governance structure. Also included in the respondent group was the president from an urban institution who interviewed for the pilot study. This president met the criteria set. Other sectors—universities, private university colleges, and technical institutes—were excluded to allow focus on decision making under one form of governance structure and on one sector of higher education that historically has had its mandate closely linked to government priorities. The former Alberta Vocational Colleges were excluded because it was only in 1998 that they became autonomous, board-governed colleges.

The study examined decision-making processes used by the colleges to effect change in their institutions. It looked at the implementation phase of those decisions and how the decisions related to planning and the future strategic direction of the college. It also examined the impact of the performance-based funding initiative on these decisions.

Limitations

The research was a four-site study that investigated performance-based funding by drawing on and analyzing interview and documentary evidence. Directed funding envelopes are a new phenomenon in Alberta, implemented in the early 1990s. The timing of their introduction and implementation could be directly related to political and economic agendas, which provided a rich research arena. Also, the newness of the funding envelopes and the experience to date by the colleges, as well as the fact that the system funding in its totality was recently put under the microscope, provided the opportunity to intimately explore with college presidents and vice presidents their

decision-making ability given these changed circumstances. It became immediately obvious that an examination of the government's accountability policy had guided AECD to revise its funding mechanism; and the goals, objectives, and expected outcomes of the Performance Envelope are interrelated. One could not be studied in isolation to the exclusion of another.

The research was qualitative, therefore descriptive, in nature; and, as expected, theory related to decision-making models in higher education emerged during the data-analysis phase. The ultimate goal was to create an understanding of the present and expected future impact that the Performance Envelope has had on the behavior of colleges, and the findings presented in Chapter 5 address the impact. The findings are significant to practice particularly for policy development and strategic planning for both the institutions and the ministry because they relate to accountability and system planning. Perhaps most enlightening were the findings associated with college governance and institutional leadership and the role that they play in this new postsecondary environment.

Choosing long-standing presidents as the respondents for this study was most appropriate given the purpose of the study and their leadership role in their college and in the Alberta system. Several institutions changed presidents since the implementation of the revised funding mechanism, and their perspectives and approaches may have differed completely from those of the presidents who shaped much of the thinking that went into the various rounds of consultation on the Performance Envelope. The respondent group also included their academic and administrative vice presidents.

One unknown prior to undertaking the study was the political will of the government and its possible change in priorities as the province's economic status improved over these past two years. This factor was highlighted as having a potential influence on the research, as evidenced by a new ministry being created in 1999, the Ministry of Learning. The new ministry increased allocations in 2000 of one-time grants to postsecondary institutions targeted at capital spending. This particular funding process did not follow the expected rules that had been previously in place. Those rules had become the mode of operation and expectation during the years that the system was responding to the deficit-reduction priority, and the apparent changing priorities of the new ministry in essence destabilizes institutions' understanding toward these changed rules. The findings support the contention that it did have an impact; what was informing is how institutions addressed this factor. Not to be forgotten is the impact of the MLA funding review decision; the results of that review predictably impacted the research findings. The system funding is in transition, although the transition is controlled.

It was suspected that as long as the Progressive Conservative Party remained in power in the province, some form of accountability measures for all educational levels would be a priority of the Learning ministry. The findings support that contention, and this was put into context during the analysis phase of the research and reported on in Chapter 5. There was no attempt to study the KPI data-collection methods or the associated working definitions of the actual key performance indicators except in the context of why those KPIs were chosen as part of the indicator set for the Performance Envelope.

Personal Biases

I was keenly aware of my personal biases that could have impacted the objectivity associated with developing the instrument and collecting and interpreting the data. I had two preconceived notions prior to undertaking the research. First, I believed that institutions relied too heavily on KPI data for decisions on academic programs. This belief was fueled by personal experience working in a technical institute. This bias actually enhanced my research: It influenced my decision to examine a new sector in higher education, specifically the college sector. Second, I had a preconceived notion that decisions regarding funding initiatives were made with minimal or after-the-fact input from the PSIs, although I did not know this as a truth. I was acting as the research instrument and thus wanted to ensure that this bias did not interfere with how I developed the interview instrument, conducted the interviews, and interpreted the data. It was important that the interview guide be unambiguous and that it not reflect my biases. I took care in interpreting the data to avoid those biases so that data reporting was not adversely affected.

Definitions of Terms

Many terms that were used throughout this study were defined to ensure a consistent understanding and use of the terms throughout the research. They are as follows:

AECD business plan goals refers to the following four goals:

1. *Accessibility* refers to increased access for students to a diverse range of quality learning opportunities;

2. *Responsiveness* refers to increased responsiveness to the needs of the individual learner and to the social, economic, and cultural needs of the province;
3. *Accountability* refers to increasing accountability to Albertans for the results of its publicly funded learning opportunities; and
4. *Affordability* refers to providing quality learning opportunities to the greatest number of students at the lowest possible cost. (AECD, 1994b, p. i).

Accountability refers to being answerable for results and demonstrating that what is delivered within the postsecondary system is of high quality, efficient, and effective. It also refers to the ability to innovate and respond to those it serves and being prepared to examine the way in which it is organized and operates (Corbett-Lourenço, 1994, p. 15).

Decreased autonomy refers to the degree to which government (not the governing board or the central system administration) reaches into the operation of institutions. The three principal areas of potential intrusion are (a) fiscal, (b) personnel, and (c) programmatic (Johnstone, 1999, p. 7).

Decision making refers to choosing the alternative that yields the organization the greatest benefit or the one which enables it to optimize its choice. Individual decision making is not distinguished from the organizational decision making (Kefford, 1994, p. 7).

Envelope funding describes funding categories that are separately identified and segregated to facilitate appropriation, allocation, and/or distribution of funds in accordance with policies, methods, and processes specific to that envelope (AECD, 1995c, p. 41).

Funding mechanism refers to the methods and processes used to arrive at decisions about the appropriation, allocation, and/or use of funds provided or controlled by government (AECD, 1995c, p. 41).

General operations grant refers to the postsecondary funding that is provided by government to cover program delivery, administration, and general capital requirements (AECD, 1995d, p. 3).

Key performance indicators are either qualitative or quantitative accountability measures that address inputs, processes, and outputs. Their purpose is to enable an institution to monitor its performance over time, to assess if it is meeting its objectives, and to allow for an institution to measure itself against other comparable institutions (Corbett-Lourenço, 1994, p. 16).

Performance based funding refers to envelope funding for innovation that supports provincial priorities that can be accomplished, at least in part, through the postsecondary education system. Funding is tied directly to measurable outcomes and/or demonstrated results (AECD, 1995c, p. 43).

Policy refers to a course of action or inaction chosen by public authorities to address a given problem or interrelated set of problems (Pal, 1992, p. 2).

Planning refers to the actions related to phases of the decision process: identifying, defining, and refining objectives; devising alternative programs for achieving the selected objectives; evaluating alternatives; monitoring the operation of programs that have been implemented; and developing new directives or programs in light of previous experience and emerging conditions (Worth, 1972, p. 218).

The department refers to the deputy minister and those who report to that position.

The ministry refers to the Minister of Learning and those who report to that position.

Summary

Chapter 1 presents an overview of the research study from a historical perspective and places the research within that context. The government of Alberta was responding to the public's demand for deficit reduction that led to a cry for increased accountability from publicly funded enterprises. Education became one key target and the focus of the research.

During the mid 1990s the government reduced operating grants to PSIs by 21%. This was quickly followed by a series of policy initiatives and implementation of targeted funding envelopes. Of interest to the research was the implementation of the Performance Envelope (PE) and its impact on autonomy and decision making in the college sector. The general and specific research questions were presented in detail.

The research was delimited to collecting data from current presidents in the postsecondary system and their current academic and administrative vice presidents. Terms used throughout the study were defined. Chapter 2 examines literature related to performance-based funding, performance indicators, accountability, and autonomy in decision making.

CHAPTER 2

LITERATURE REVIEW

This chapter examines literature related to the general research question. The review focused broadly on (a) performance indicators, (b) performance-based funding, (c) accountability, and (d) autonomy in decision making. There is a proliferation of research on performance indicators and their use in higher education as well as on the efficacy of funding mechanisms that incorporate some aspect of performance-based funding (PBF) in their model (Albright, 1998; Burke, 1998a; Ewell & Jones, 1994a). Much of the research on performance indicators and performance funding is based on the university sector. Colleges have a similar governance structure to universities, and therefore it was proposed that colleges' concerns on issues impacting them due to implementation of PBF models are reflected in this research. *Accountability* is a term that conjures up a rational view of government policy implementation. Public sector accountability in higher education is irrevocably connected to economic and social policies and is simply a way to measure specific outcomes against goals (Albright, 1998; Atkinson-Grosjean & Grosjean, 2000; Stein & Fajen, 1995). Institutional autonomy is impacted by these accountability policies. Last, decision making is reviewed as it relates to the strategic planning process, governance, and leadership in higher education.

Performance indicators

> *Ideally, indicator weights should reflect the importance of higher education as a whole while recognizing the differences in institutional sectors. They should also avoid favoring high performers and discouraging low achievers.* (Serban, 1998b, p. 66)

Researchers agreed that the development of performance indicators (PIs) is controversial, and their validity as a measure of performance is suspect. Gaither, Nedwek, and Neal (1994) summarized five uses for performance indicators as put forward by Sizer, Spee, and Bormans. These include (a) monitoring based on data, (b) evaluation based on goal attainment, (c) dialogue based on the goals of an institution, (d) rationalization based on process, and (e) allocation of resources (p. 23). Ruppert (1995) expected PIs to emphasize overall institutional or system improvement. For her, performance indicators not only monitor the higher-education enterprise but inform the policy makers, assess goal achievement, identify sources of problems, and work to implement solutions (p. 20). Her view mirrors those of a continuous quality improvement practitioner.

In his meta review on performance indicators and performance funding, Birnbaum (2000) stated that "performance indicators were often established because data were available rather than they reflected something of importance" (p. 81). This supports the contention that their development was controversial and suggests that their purpose or use may also be controversial. Gaither et al. (1994) indicated that many PI systems were implemented too rapidly and with little research on what indicators to develop:

> *By 1994, some 18 states had a performance indicator system in place, the majority of them developed and implemented in the previous three years. Legislation by fax prevailed, with imitation frequently copying poor-quality indicators from one state to another. . . . On the positive side, this pattern suggests awareness of common problems and a quick response from legislators by using the same solutions.* (p. 33)

Birnbaum (2000) also referred to the research of Trombley (1998), who noted that PIs are not necessarily based on best practices; rather, they are based on past practice. *Best practice* is a term commonly associated with benchmarking. Birnbaum suggested

that benchmarking is not necessary for the implementation and use of performance indicators because the benchmarking may not always relate to institutional practices or goals. He balanced this argument with the findings of Honan, who proposed that performance indicators would not be relevant unless they were "essential attributes of benchmarking" (p. 81). Birnbaum also referred to Rush's 1994 research, in which he stated that performance indicators ignore the basic questions of benchmarking. He identified those as

> *How are we doing compared to others? How good do we want to be? Who's doing the best? How do they do it? How can we adapt what they do to our institution? How can we be better than the best?* (p. 84)

In the Alberta example, a discussion paper on benchmarking principles and criteria as it affected the key performance indicator project was released after implementation of the first round of performance-based-funding reporting. In that document it was stated that benchmarks would be based on institutional mandates, size, and diversity as selected examples. There was also the intention to identify benchmarks from other jurisdictions; neither proposed initiative unfolded as expected.

Floristano (1996) as cited in Birnbaum (2000) suggested that PIs should be based on negotiations with the institutions rather than on benchmarking. This would be appropriate given the diversity within higher education and also within the varying institutional sectors. In Alberta's case, what did emerge was a comparison on quantifiable data within institutional sectors based on definitions developed by the department in concert with institutional representatives. Disagreement still exists on some of these definitions.

In Ewell's (1993) research, as cited in Birnbaum (2000), he proposed that the plausible result of implementing performance indicators is "a predictable return to control-oriented management countered by statistical gamesmanship on the part of those assigned to obtain such targets" (p. 85). Institutions have reason to suspect the intended use of PI systems given that the locus of control has shifted from them to government policy makers. Birnbaum referred to Schmidt's (1997) and Trombley's (1999) research, which puts into question the efficacy of PI systems. They postulated that "institutions continue to get funded at historic levels regardless of performance, since large-scale funding changes are politically unsustainable" (p. 85). With the exception of across-the-board funding reductions that many jurisdictions have experienced, this statement is easily proven to be true based on historical funding-pattern data. Policy makers must gauge the tolerance and will of the public for dramatic change. Although there is a relatively high level of awareness surrounding PIs, the actual amount of performance funding they represent, typically from 1% to 5%, is relatively minimal compared to the overall funding. Consequently, this type of funding would not represent large-scale change for institutions. What it does appear to represent to institutional boards and decision makers is public exposure of institutional performance based on criteria that may or may not reflect actual performance.

Ruppert (1995) emphasized that performance indicators are a policy tool for both policy makers and institutions:

> *PIs are, in essence, a policy tool; as such, their value depends on how they are applied to the task of making policy. . . . At their best, performance results can guide the development of higher education policy by contributing directly to solutions of specific policy problems or guiding tough choices about how to allocate resources.* (p. 20)

Institutions are also interested in the development of higher education policy because it impacts them operationally; therefore it is in the institution's best interest to participate in developing PIs that are appropriate for them. Kerr (2000) also found that PIs are a useful policy implementation tool and that the PI framework and related PBF mechanism developed for Alberta was central to the success of the government's accountability policy. He stated, however, that it was not possible for these indicators to address "all the nuances of a policy direction" (p. 173).

Burke (1998a) suggested that colleges stress efficiency over quality, more so than other sectors. On the issue of quality as it relates to performance indicators, Jongbloed and Weterheijden (1994) stated, "Performance indicators have been used extensively in higher education policy, but funding authorities recognized that performance indicators only partially reflect quality. Therefore, performance indicators have not been used as the sole input for funding decisions" (p. 43). According to Graham, Lyman, and Trow (1995), institutional quality is the sole purview of the PSI:

> *Let us emphasize three key points: first, responsibility for the quality of work in a college or university ultimately lies with the faculty and administrators of that institution; second, the maintenance and improvement of that quality rests largely on internal procedures for discovering and correcting weaknesses and failures in the institution and its component parts; and third, the efforts of colleges and universities to improve themselves will be strengthened by a system of external audits of those procedures.* (p. 25)

One of Kerr's (2000) findings was the difficulty in defining performance measures that capture quality education, an elusive goal given any circumstances, yet a key goal that is often highlighted when developing PIs. Burke (1998a) stated:

> *Many dedicated and skilled administrators struggled throughout time . . . to design measures that would capture the agreed upon aspects of quality education. Despite these efforts there was a general agreement that the measures are not*

perfect. Actions that were desirable to achieve long-term results are hard to assess over the short term. (p. 172)

Whatever the strengths or difficulties are, performance indicators need to be viewed in the wider context of a higher education system. The literature discussed (a) the important but ignored role of institutional mandates in developing PI systems, (b) issues associated with educational quality, (c) problems in developing satisfactory definitions for performance indicators, and (d) the role of benchmarking. Because constricted resources are at the heart of the funding policy and funding instability is an outcome of that policy, then institutions are right to suspect the agenda of the policy makers and right to question the validity of any PI system. As PI systems continue to emerge, the research suggested that crucial questions need to be asked regarding the purpose, development, selection, and use of these indicators within a performance-based funding model and how that impacts government policy, system development, and institutional mandates.

Performance-Based Funding

The desirability of performance funding is matched by its difficulty in practice. It is easier to adopt than to implement and easier to start than to sustain. In performance funding, as in most policies, the attraction is often abstract, and the devil is in the details of design and implementation (Burke & Modarresi, 1999, p. 9).

Over the last decade implementation of various performance funding models has become increasingly prevalent in North American higher education. The emergence of key performance indicators as a method to collect and compare institutional data has been the most significant element in implementing performance funding as a policy initiative (Kerr, 2000; Ruppert, 1995). Atkinson-Grosjean and Grosjean (2000) suggested that PBF models are utilitarian in design and intent. Research on performance-based funding

models primarily examines the implementation of the models and analyses the perceived success or failure of adopting this form of funding (Atkinson-Grosjean & Grosjean, 2000; Burke, 1998b). Serban (1998a, 1998b), Burke (1998b), and Gaither's (1995) research on PBF models primarily documented the accountability relationship between the state's PBF initiatives and its PSIs. Kerr (2000), Barnetson (1999), and Judge (1999) provided similar key insights from the Alberta experience.

What has been learned during the review is that there are sufficient descriptions of experience with performance funding and that that impacts institutional governance and operations. Many performance funding initiatives appear to be ongoing experiments in adjusting funding levels to satisfy pubic accountability while also striving to satisfy the ongoing needs of institutions in times of uncertain funding practices and demand for greater public accountability in all sectors. Barnetson (1999) was concerned about funding instability and its impact on PSIs:

> *This new approach to higher education represents a substantial shift in government policy and insulates government from direct responsibility for inequitable outcomes. . . . The main outcome of this change is pressure for higher education to align its activities with the needs of the marketplace in order to diversify institutions' funding sources.* (p. 6)

Birnbaum (2000) did not suggest that PBF models are a likely fad, but his review implied that PBF initiatives are relatively unsustainable over time due to associated costs and are destined for a certain demise, or at least a substantial dilution of current practice. Harris (1998) presented four fundamental reasons for implementing a performance model: (a) a view of the state, (b) constricted resources, (c) the pursuit of efficiency, and (d) demands for accountability. She asserted that in an effort to meet the goals as defined by policy makers, the value of institutional goals is often eclipsed. "Changes in indicator

values may be used to justify an expansion or a reduction in resources with direct impact on policies" (p. 136).

Atkinson-Grosjean and Grosjean's (2000) comprehensive study on how performance models were applied in the United States, Australia, New Zealand, and selected countries in Europe also examined the impact on policy and administrative practices as the individual institutions defined them. Their findings provide a general framework for analyzing the PBF movement and a starting point to assess the issues. These issues emerged in five broad categories that included (a) system-level effects, (b) technical performance, (c) institutional effects and management, (d) impacts on teaching and research, and (e) impacts on faculty and academic departments (p. 3). Within each category, specific related areas of concern were identified. Of foremost interest to the research were the concerns identified within the institutional effects and management category:

1. growth of nonacademic management-support functions with the power to intervene in academic decisions;
2. increased competition both within and between institutions;
3. increased surveillance both internally and externally;
4. centralized, corporate decision making, supported by budgetary and performance-based criteria;
5. increased time and costs to administer and conform to proliferating compliance requirements;
6. the possibility that short-terms gains from compliance will produce longer-term pain;

7. better understanding of institutional missions and dynamic perspectives on the management of institutions;
8. better responsiveness to the needs of public, political, and other stakeholders; and
9. limited financial incentives (p. 25).

Alberta's PSIs articulated similar concerns in their consultation response documents. Commenting on their comparative study of performance models, Atkinson-Grosjean and Grosjean (2000) noted, "Performance funding enhances the incentive to improve performance but punishes circumstances beyond institutional control" (p. 1). They argued that the number of dollars allocated to performance funding is disproportionate to the amount of work that is required to comply with the processes involved. Birnbaum (2000), Burke (1998b), Ruppert (1995), and Gaither et al. (1994) concurred. Data collection and analysis are cumbersome and time and resource bound. In a period of restraint one questions the allocation of resources to such an administrative undertaking versus applying those same resources to teaching and learning, easing the burden on the areas that have a direct impact on institutional quality.

Burke (1998c) and Gaither et al. (1994) stated that performance-based funding rewards the rich and punishes the poorer institutions. On reviewing the institutional responses included in AECD's (1995a) performance funding proposal, it was evident that a high level of concern was expressed about the cost of complying with this funding initiative because no new money was allotted to support it. Indeed, a circumstance not associated with models from other jurisdictions was a "clawback" from each PSI's general operating grant to partially fund the Performance Envelope (PE). This forced

institutions, many of which did not have sophisticated data-collection and reporting mechanisms in place, to absorb this activity within a now-reduced budget. This reality compromised the data-collection process for the department, and it eventually caused delays in preparing reports for public disclosure and announcement of awards.

Burke (1998a) studied jurisdictions that implemented both performance funding and performance budgeting, two distinctively different initiatives. On performance funding he stated, "The funding indicators reflect overwhelming external rather than internal concerns" (p. 55). Serban (1998b) and Gaither et al. (1994) noted the same finding. Burke further stated that "external concerns in the indicators for two-year institutions even exceed those of their four-year counterparts" (p. 55). This acknowledges the rich diversity in mandates among colleges and the inherent difficulty in making comparisons within that sector and between other sectors. Burke explained that the diversity in programs, processes, and outcomes compromises their inclusion in performance-based funding initiatives and could eventually be detrimental to the colleges. This point was also made by Gaither et al. and Serban, and similar concerns have been reflected in the Alberta experience. One key issue not addressed in the AECD's (1995f) funding document relates to the varying mandates of the province's PSIs. Colleges in Canada have traditionally been linked closely to the economic and social goals of government, more closely than other forms of higher-education institutions (Dennison, 1995; Jones, 1997). This suggests that they are inextricably linked to the political environment of the day and the government's labour market development planning. This lack of latitude to fundamentally change their program mix, as an example, serves only to highlight a serious problem with PBF models for colleges.

Societal attitudes, clearly reflected by the state of the economy, are the drivers that determine for which public-sector programs government is willing to pay and how it distributes its resources. Traditionally, government bureaucrats have striven for an equitable balance of programs and resources. Burke (1998c), Albright (1998), and Ruppert (1995) each discussed how PBF is used to monitor and evaluate higher-education programs and then assign appropriate resources to support them. Exactly how this is accomplished varies by jurisdiction and by institutional sector.

Selected findings from Burke and Modarresi's (1999) third annual survey of performance funding and budgeting refer to the impact that reduced funding has on increasing a feeling of vulnerability by institutions due to budget instability. They presented the following findings:

1. Performance funding continues to spread but also shows continued instability;
2. Most new initiatives in performance funding come from coordinating and system boards rather than legislative mandates;
3. The practice of prescribing performance indicators in declining;
4. Future adoption of performance funding appears somewhat less like than in 1998;
5. For the first time, college and university systems have initiated performance funding without actions from state government or higher education commissions; and
6. Most new programs in performance funding seek specific improvements in campus performance rather than the systemic reform of higher education sought in many of the early initiatives (p. 14).

It is evident that PBF models have evolved as institutions have become more sophisticated in their compliance with those models. Some institutions have made a concerted effort to embrace initiatives at a local level if those initiatives were linked to others that supported institutional goals. Ruppert (1995) recognized the continued expansion of PBF programs and highlighted the importance of designing a PBF model based on performance indicators developed around sound principles and institutional goals and priorities (p. 22).

Barnetson (1999) was highly critical of how the Alberta government presented its case for improved performance-based funding on meeting targets that were determined and defined by government. He noted that "the Government sets the levels of performance that are labeled as indicative of 'excellence'" (p. 9). This is in contrast to an institution defining quality for the organization and determining appropriate ways to measure that quality. Burke (1998b) suggested that quality is defined differently by policy makers than by those within institutions. In Alberta the majority of institutions performed well on most PIs, particularly student satisfaction and employment rate. The exception in some instances was the FLE not meeting targeted growth as defined by the department. That growth initially was targeted at 4% per year and was to happen without additional resources to accommodate for the increase. It was a clear effort to bolster technology-driven educational delivery evidenced by the simultaneous release of the *Vision for Change* (AECD, 1995e) discussion document. The target strained the system past planned capacity, and alternate delivery models did not emerge at a rate that accommodated increased accessibility demands. The recently announced infrastructure

investment directly related to a provincial budget surplus in 2000 has started to alleviate some of that pressure.

Publicly releasing the first round of the performance awards in 1997 allowed the department to praise how the success of the PSIs in achieving the system goals. Barnetson (1999) openly denounced the irony of the department's congratulating the PSIs on their achieving the performance target, all the while being mindful that these targets were developed and then measured by the department. The public message was clear: The PSIs were becoming more accountable and doing it within unprecedented funding restraint. The reality, as often stated by Barnetson, exposed a system that was unable to meet accessibility targets due to divestment in infrastructure, technology, and instructional resources. As well, that reality was further exposed by Doherty-Delorme and Shaker (2001), who ranked Alberta 10th in their second annual survey of Canadian PSIs in *Missing Pieces II: An Alternative Guide to Canadian Postsecondary Education.* This poor performance was directly related to a 209% tuition fee increase at universities over the previous 10-year period. This has the effect of decreasing accessibility to education, thus negatively impacting one of the department's business-plan goals.

Arguments proposed by Gaither and Mingle and presented by Burke (1998b) challenged the policy makers' contention that accountability for performance would result in long-term positive changes in the delivery of education. Their research involved eleven US jurisdictions that had implemented some form of PBF. The arguments are summarized as follows:

1. Complexity argument: The goals of higher education are too numerous and complex for inclusion in a performance funding plan.

2. Diversity argument: The campus types of two-year colleges are too diverse for inclusion.
3. Quality argument: The quality of higher education programs and services is too subjective for measurement.
4. Funding argument: PBF programs provide too little money to produce changes or too much so that they produce budget instability.
5. Political argument: State budgets represent political decisions that change with current issues and frequent elections; these changes work against long-term programs such as PBF.
6. Cost argument: Collecting the information for PBF is too costly.
7. Incompatibility argument: Critics have claimed that the goals of external accountability and institutional improvement are inherently incompatible.
8. Punishing-the-poor argument: Giving money based on performance rewards the rich and punishes the poor (p. 85).

Gaither (1998) provided a perspective on why PSIs should look at embracing PBF programs, specifically highlighting the benefits of collaboration between the PSIs and the government. He did not extend that to interinstitutional collaboration, a direction the Alberta department has encouraged in its performance funding model. Department officials and institutional representatives are working to develop a collaboration indicator for the most recent iteration of the PBF model. The question to consider is whether the pendulum has swung and institutions are accepting PBF as an ongoing component of funding.

Publicly funded institutions have a responsibility to report to the public and to politicians, with the following proviso, as noted in the CAUT (1993) report: "In a democracy, the university must be prepared to debate its role and defend its heritage in the public milieu" (p. 58). There was considerable concern expressed in the report that suggested a philosophical divide based on the government's intentions and its actions:

> *In the last decade there has been a tendency in government to demand ever more statistical reporting about the operations of universities and colleges. It is odd that these generally conservative government's ideologically committed to removing business enterprise from the control of government, have, at the same time, attempted to rivet ever more bureaucratic control on the universities. It is hard to understand such governments can think that an approach which features hierarchy, endless reporting and government controls can produce creativity.* (p. 58)

This is an apt statement and one that goes to the heart of implementing a funding mechanism that appears to all intents and purposes to be philosophically in conflict with the organization of autonomous institutions.

The literature reviewed pointed to the emergence of funding models that have some component that reflects institutional performance. The most immediate areas of concern with PBF models identified in the literature are issues associated with (a) quality, (b) goal conflict, (c) institutional diversity, (d) balancing the resource and human effort with the amount of the award, (e) complying with an externally-driven agenda, (f) development of additional PIs, (g) the impact on institutional planning, and (h) the overall sustainability of system funding. There are inherent problems if policy makers and funders do not attend to these issues from a system perspective. Restructuring during the last decade has reduced institutional autonomy and replaced it with additional external controls. PSIs appear to have accepted that some aspect of their funding will be

based on performance. The literature led one to believe that, due to uncertainty, the future debate will be around balancing policy making with the institutional agenda.

Accountability in Higher Education

> *Taken most simply, autonomy in its complete sense means that power to govern without outside controls and accountability means the requirement to demonstrate responsible actions to some external constituenc(y)ies. In theory, the argument has been made that there is no necessary incompatibility between being both highly autonomous and rigorously accountable; in practice, one senses that usually where more accountability is required, less autonomy remains. The ideal to be sought seems clearly a balance of both conditions.* (Berdahl & McConnell, 1999, p. 23)

Institutional critics have a history of questioning the intrusion of public sector accountability policies that threaten their autonomy. In Alberta there is widening inequality in the political debate. The ruling Progressive Conservative party has little opposition, is extremely right of centre on the political spectrum, and is bolstered by a strong fiscal position. It is perfectly positioned to dictate its ideology. The general thrust of the political discourse on accountability provincially had been the touted public demand for deficit elimination and accountability in times of economic downturns. George and McAllister (1994) questioned whether the public actually demands accountability of its PSIs, which has the effect of increasing government's role:

> *When politicians or bureaucrats speak of accountability, they are almost always talking about universities being accountable to political elite. . . .The public at large, for the most part, stand apart from this discussion. Surveys have shown that they are reasonably happy with what is going on in universities in Canada. Even the students are mostly interested in obtaining a degree and finding a well-paying job.* (p. 13)

Ruppert (1995) argued George and McAllister's contention. She linked the assessment movement of the 1980s with the evolution of accountability policies in the 1990s. She noted:

> *The new accountability policies . . . reflect the changing view that higher education needs to be more responsive to current conditions and state priorities and more publicly accountable to a broader, primarily external constituency that includes students, employers, parents, and the general public. . . . Reporting performance . . . gives those with a stake in higher education a better sense of what is . . . achieved with public resources.* (p. 16)

Ewell (1989a & 1989b), a considered expert on assessment, agreed with Ruppert. Stein and Fajen (1995) referred to his claim that campus-driven assessment approaches do not meet the demands for accountability, resulting in the implementation of performance funding by policy makers.

One would assume from reading the public documents relating to the Alberta PBF initiative that the government does not want to be in the business of higher education. In its discussion paper *A Funding Framework for Alberta Postsecondary Education* (AECD, 1995d), it stated that "effective accountability presupposes consensus on the functions, priorities, activities and resources for which institutions may be called to account" (p. 14). It might be assumed by this statement that PSIs are operating ideally. Theoretically, it is sound; in practice, it assumes a consistent evolution within and between institutions related to these constructs. It also assumes institutional autonomy related to decision making as it impacts institutional accountability to the public, which could be interpreted based on the following statement:

> *Ministers are responsible for articulating expectations to boards, and board members exercise accountability by reviewing, approving and monitoring the implementation of business plans and budgets, establishing goals for their organizations, and selecting performance measures and indicators for reporting results. In this way, accountability can remove the need for bureaucratic controls and promote proper balance between coordinator and autonomy.* (p. 14)

One constant criticism dotted throughout the research on complying with accountability initiatives is the increased use of bureaucratic controls. Interestingly, in the Alberta case

it was the government that selected the KPIs used in performance reporting, with a modicum of input from the PSIs. This is in contrast to the recommended approach by researchers, particularly Burke (1998c), who asserted that "collaboration, communication, cooperation, and compromise represent the ideal characteristics of a process for creating performance funding" (p. 12). It appears that the ideal has not been found in practice.

Cutt (1990) argued that external accountability could be embraced as the solution to address the problem of constricted government resources. He contended that universities need to proactively comply with accountability requests to ensure an appropriate allocation of resources from funders. This would give them better control of their own agenda on outcomes associated with performance reporting. Albright (1995) agreed with Cutt on this point, suggesting that PSIs need to be a strong voice for their institutions on initiatives that impact their ability to carry out their mission:

> *During this period when funding is not at desired levels, the prevailing attitude by the academy is a failure to embrace reform to conform to budgetary realities. In the absence of such reforms, external agencies are serving as change agents to initiate needed reforms (p. 65).*

The Task Force on Resource Allocation (1995) provided a historical context for the debate on accountability in academe. The task force found that universities will continue, rightfully, they suggest, to resist attempts by government to limit their autonomy. It accepted the fact that accountability policies will continue into the future and made recommendations based on their review on how to do that effectively. It suggested that universities

1. recognize the legitimacy of some government role in the determination of higher education policy,

2. acknowledge that the government's role will change over time,
3. demonstrate a willingness to engage in constructive dialogue about how public policy objectives and university interests can best be reconciled, and
4. seek the government's trust through a willingness to demonstrate the orderly, efficient, and effective use of public resources (p. 31).

The task force provided similarly focused recommendations for the government in their dealings with the universities; two of these are particularly applicable to the research question under study. Its recommendations include:

1. demonstrating a greater willingness than has been demonstrated in the past to articulate a vision of higher education and establishing and maintaining policies that are consistent with that vision, and
2. seeking the trust of the university community by pursuing the development of higher-education policy in an inclusive, objective, and open manner (p. 32).

These recommendations are in keeping with those of Albright (1995). But what is government's role in higher education? The accountability discussion appears one-sided, with public-sector institutions left with little choice but to respond to policy initiatives. The CAUT (1993) report strongly advised that government have an accountability role as well; it is accountable for policy changes:

> *Governments themselves need to be accountable . . . whenever they are considering major policy changes in the area of higher education. . . . Moreover, [they] should be held accountable for the financial health of the postsecondary education system. . . . A web of political and bureaucratic structures is evolving in Canada whereby politicians and civil servants clearly have more control and more involvement in the affairs of the universities than ever before.* (p. 59)

This group advocated that the university community educate the general public on the legitimate concerns facing universities and suggested that "some critics believe that the

focus on accountability at this time by governments is not accidental and that it is, at least in part, designed to maneuver criticism from them and their civil servants to the universities themselves" (p. 62). This could be construed as a passionate criticism.

Graham et al. (1995) provided another dimension to the debate, linking the impact that compliance with external accountability measures has on internal accountability:

> *There is a danger that over time the criteria an institution used to assess itself for external authorities will become the criteria by which it judges itself. For the most part, those criteria are the wrong ones to use—simplified and often simply false statements about institutional outcomes and products that cannot be verified. If taken seriously and internalized, these claims of efficacy and efficiency would distort the institution and divert it from improvements.* (p. 25)

Also, as authors of the accountability study at Columbia University, Graham et al. also addressed internal and external accountability in higher education. Their discourse suggested that internal accountability such as teaching and research needs to be understood in the context of external accountability.

> *Notwithstanding their extraordinary diversity, our higher education institutions all share the central mission of student learning. . . . Accountability in American higher education has two hemispheres: internal and external. Internal accountability focuses primarily on academic concerns and is campus-centered, while external accountability provides evidence and assurance, largely to outside audiences, that institutional missions are being accomplished. Currently, these hemispheres contradict rather than complement one another.* (p. 19)

They believed that institutions need to focus on improving internal accountability issues, which would result in improved external accountability, one complementing the other. External accountability was identified as the institution's public reports and rankings in magazines, as well as competition for students and research support, as selected examples. Graham et al. proposed principles of accountability that include (a) external accountability reinforcing internal accountability, (b) respecting institutional diversity,

(c) ensuring that the academic community, as the expert, is responsible for accountability and not "politically motivated and superficial communities", and (d) being able to adapt to changing circumstances (p. 23).

Other studies are important to synopsize. Serban (1998c) undertook an extensive study that examined the opinions of state policy makers and institutional representatives on accountability. Not surprisingly, her findings indicate that campus leaders believe that higher education policies are a way of increasing institutional accountability to the state, in contrast to policy makers, who believe that PSIs are trying to ensure increased funding rather than increased accountability. These contrasting views are at the heart of the debate. Richardson, as noted by Burke (1998a), proposed that "state policies for higher education reflect, consciously or unconsciously, the core values of efficiency, quality, equity, and choice" (p. 56). Barnetson & Bobert (2000) indicated that accessibility, a primary goal for Alberta PSIs, is actually decreasing due to increased tuition fees and competition for student seats in colleges and universities. The political discourse in Alberta suggests that the system is improving based on performance results and the allocation of awards. The real impact on the system—those things that cannot or have not been measured—as experienced by the institutions is not factored into that equation.

Authors of the Task Force on Resource Allocation (1995) suggested that the relationship between institutions of higher education and the role of the state should be based on rationalization and dependence. As they traced the development of higher education in the United States, they found that "public education moved from a relatively modest role in society to that of being a major instrument of social and economic change"

(p. 18). As such, these institutions have a responsibility as recipients of resources from the public purse. The authors quoted Dressel (1995) on this point, who stated:

> *Accountability, the requirement to provide evidence that autonomy is responsibly used, is the price of autonomy. Considering that responsible performance always requires some kind of critical review and evaluation, the price is reasonable. Institutions that refuse to pay it and thereby attest to irresponsibility do not deserve autonomy. Autonomy does not include the freedom to be irresponsible and unaccountable.* (p. 22)

Dressel believed that there is a balance between accountability and autonomy. Changing conditions should bring both parties, government and institutions, to the table for appropriate discussions and decision making.

Debate over accountability and its impact on higher education is divisive and will continue to be persistent. Cutt (1990) captured the essence of the debate: Too much reporting as well as accountability initiatives leave little in the way of incentives for PSIs to develop their organizations strategically. There is a personal sense that the policy makers do not trust the PSI practitioners to make the decisions necessary to move the system in a direction that reflects the government's role. What has been learned from the literature is that (a) accountability needs to be examined from two viewpoints, those of the PSIs and government; and (b) internal accountability has a significant role in external institutional accountability.

Autonomy and Decision Making in Colleges

> *Not even campus groups appear concerned about the erosion of institutional autonomy.* (Serban, 1998a, p. 80)

As proposed by Graham et al. (1995), accountability should reflect both internal and external concerns. Accountability has been linked in the literature to autonomy, normally diminished autonomy. According to Hoggart (1981), autonomy is also linked to

decision making, and both are better understood when viewed through two lenses, independence, or internal, and interdependence, or external. Hoggart provided a rich description of the relationship between autonomy and decision making:

> *Viewed at its simplest, local autonomy is the independence of localities: that is the extent to which the present character of a locality and the changes it experiences are determined locally. Embodied in this concept is the notion that localities are distinct, in that they have an identity and existence of their own, while at the same time they are interdependent, in that their character is partly determined by their relations with other areas. It follows that local autonomy can be viewed from two perspectives. First, there is an internal perspective, in which focal interest is directed towards the independence of a locality, but where it is recognized that the nature and extent of extralocal relations have important bearings on events in the locality. Second, there is an external perspective, where attention is primarily directed at the integration of localities into broader regional, national or international "systems." From this perspective, broader "system" effects are considered dominant; local autonomy is the extent to which localities are insulated from such effects.* (p. 2)

Most would agree that decision making occurs throughout all levels in colleges. Chaffee (1983) simply defined *decision making* as a process that includes three elements, (a) choice, (b) process, and (c) change. She stressed that decisions may be beyond the control of the organization, but "the decision itself is, by definition, controllable" (p. 8). Fryer and Lovas (1990) pointed out that the college governing board, through its status as an autonomous organization that receives funding from mixed sources and therefore is not dependent on any one group, indeed has some clear advantages for autonomy in decision making. A decade later, this assertion seems dated, as Leslie and Fretwell (1996) contradicted this contention. Their contradiction is more in keeping with current circumstances surrounding public sector funding of higher education:

> *To some extent, external economic reversals and changes in public policy have seriously affected colleges and universities. On the other hand, some of our site institutions had neither planned nor managed particularly well as they faced inevitable challenges in their immediate environments. In many cases, two*

> *forces—an erratic and problematic environment, combined with a slow-moving and contentious internal decision-making process—made clear, intelligent, and timely responses difficult to achieve.* (p. 23)

Shapiro (1997) talked about specific characteristics that have an impact on organizational decision making. Of interest were those related to the organizational environment; specifically, environments that are ambiguous. She suggested that decisions, once made, need to (a) be embedded in a longitudinal context, (b) have the role of incentives understood by the constituencies, and (c) help in understanding the prevalence of conflict that affects decision making. This is powerful in the context of autonomy. She went on to assert that "many times, power consideration and agenda setting determine decisions rather than calculations based on the decisions' parameters" (p. 5).

Fryer and Lovas (1990) contended that organizational decision making and organizational structure are inextricably connected, but they also pointed out that the connectivity may be tempered depending on the type of decision that needs to be made. In addition to their unique culture, colleges today are complex systems, and decision making is impacted from within and from without. They also stated that decisions are not context free, and the context can be framed internally or externally, adding to complexity in the decision-making process.

Sporn (1999) included resource dependency as one of the primary theories used to focus on higher education adaptation (p. 56). Maassen, Neave, and Jongbloed (1999), Sporn (1999), and Slaughter and Leslie (1997) contended that organizations that face constraints coupled with external control struggle for autonomy. This does not mean the death knell on the control of decision making; rather, it requires an understanding of the

organization's actual amount of dependency. Maassen and Gornitzka (1999) referred to Pfeffer and Salancik's work on external control of organizations: "The potential for one organization influencing another derives from its discretionary control over resources needed by the other and the other's dependence on the resources and lack of countervailing resources and access to alternative sources" (p. 298).

Colleges in Alberta have increased their focus on entrepreneurial activity that reduces dependency on government funds. It is questionable how sustainable that activity will be in the future as the providers of education and training programs compete for existing scarce and tightly monitored public and private resources.

Adequacy of funding is the key issue today in all higher-education jurisdictions, and that sentiment was echoed clearly in the literature. Slaughter and Leslie's (1997) discussion of resource dependence theory in academia provides a lens to view who holds power in the educational enterprise.

> *In contrast with most organizational theories, which deal with internal management strategies, resource dependence theory holds that the internal behaviors of organizational members are understood clearly only by reference to the actions of external agents. In the case of higher education, the external agents are the policy makers and policies. . . . In particular, resource dependence holds that those who provide resources to organizations . . . have the capability of exercising great power over those organizations. Stated in its simplest terms, "He who pays the piper calls the tune."* (p. 68)

This hits at the heart of funding allocation to colleges. What is easily extrapolated from their assessment is that community colleges are closely linked to the priorities driven by the government of the day, and that is supported in reality based on the reduced general operations grant funding received by colleges from the department.

Sporn (1999) concurred with Slaughter on this point but delved deeper in positioning resource dependence, stating that dependence on external resources—in this case, the department—indicates that an organization is not self-sustaining:

> *A basic assumption is that organizations must engage in an exchange with the environment to acquire resources, which creates dependencies. The scarcity of resources determines the degree of dependency. These economic dependencies can lead to political problems followed by political solutions. . . . Organizations are dependent on other organizations, leading to an interorganizational and political view of the resource dependence model.* (p. 45)

Understanding decision making in colleges today has to accommodate for changed circumstances, those issues and realities that are impacting higher education at an unprecedented rate. Colleges do, however, have the responsibility not to forget the future. A predominant element of those changed circumstances is perceived dependence on the external environment that is impacting organizational culture and has implications for autonomy in decision making within colleges. How colleges approach decision making will be important to ascertain. Whether that approach has changed given a changed environment is what I wanted to determine. For purposes of this study, decision making is irrevocably connected to autonomy and, as Fryer and Lovas (1990) stated, "Power is exercised in organizations through deciding" (p. 60).

Conceptual Framework

The purpose of the literature review was to provide a framework to answer the general and specific research questions. Four elements that related to the general research question surfaced: (a) performance indicators, (b) performance-based funding, (c) accountability, and (d) autonomy in decision making. Interestingly, these elements also related to the policy environment described by Kerr (2000) as he traced the impact of

KPIs as a policy implementation instrument in the Alberta system. The government's accountability policy in the early 1990s obliged the department to develop KPIs and a corresponding funding mechanism as the accountability instruments. That determination affected the PSIs' financial resources and impacted their decision making ability. It was suspected that this series of events had affected the PSIs' ability to govern autonomously and plan strategically in keeping with the intent of their institutional mission and mandate.

The policy environment model proposed by Kerr (2000) was used as the framework for an expanded conceptual model on the impact of PBF on autonomy and decision making in Alberta colleges. The decision to use Kerr's work was based on the initial literature review. It was recognized during the review as the most informing model for the question under study, and it became the catalyst to develop the conceptual framework in Figure 2.1 and to revisit the research question to ensure that it reflected the impact on policy development. The decision to use this model was confirmed during the data analysis and findings stages.

Kerr's conceptual model showed the "dominant impact of KPIs on all aspects of the implementation process, . . . impacting all aspects of the policy implementation process" (p. 182). The research examined the impact of the PBF on institutional outcomes, noted in Figure 2.1; specifically, those related to accountability and autonomy in decision making. After conducting the data analysis, it was deemed a highly appropriate model and was used as the primary framework for data classification. It must be noted that Kerr's model reflected KPIs' use as a policy implementation tool, and this

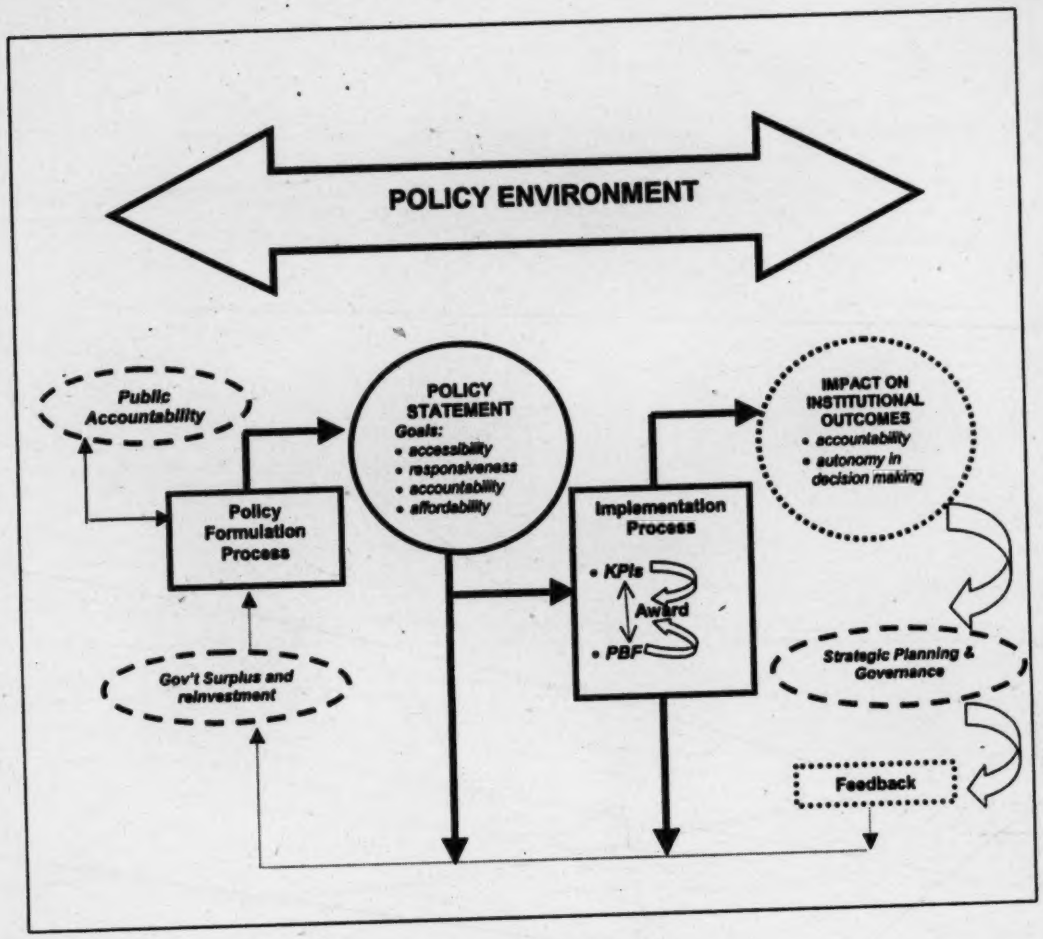

Figure 2.1. Conceptual framework.

research was concerned with the impact of PBF on autonomy and decision making in colleges; there was a stronger focus on those constructs than was discussed by Kerr.

As originally expected, implementation of the Performance Envelope has had an impact on strategic planning, particularly as it relates to fiscal concerns and accessibility. As presented in the findings section in Chapter 6, there are mixed suggestions as to whether the impact is positive or negative. Accessibility was the driving force behind

receiving the top performance award, and the receipt of new funds for increased FLE was attractive to all institutions. The determination of whether the impact was positive or negative lies within the perspective that each institution takes, depending on the college's mandates and the need for new funding. The associated infrastructure and human resources issues, however, are rapidly unfolding across the province, negatively impacting all PSIs.

There was a changed relationship in the type and timing of feedback into the policy-formulation process. The findings point out that feedback was solicited through consultations as one method, but the more formal business plan provided the link between the PSIs and the department. Institutions must now comply with the department's business plan template, and all do. Recent business-plan development on the part of PSIs has been compromised by the selected reinvestment in education made possible by a provincial budget surplus in excess of $5B dollars in the third quarter of fiscal 2000. Money was awarded for infrastructure expenditures at selected institutions, and some distributed it based on the results of the MLA funding review as it related to equity. The findings section addresses this changed relationship as it impacts future public policy debate and the public's demand for increased accountability in higher education. There was strong emphasis on public accountability by all the colleges interviewed as it related to the community at large and students.

There is a greater emphasis on the role of government in higher education than expected prior to the beginning of this research, and it looms over the PSIs. This sentiment was expressed by several of the interviewees. They believed that the department wants to have an expanded role in directing the system similar to what was in

place when formerly they were provincially administered institutions. Governance was found to have a reduced role as it relates to the impact of funding on the PSIs because the management teams are primarily responsible for operational decisions. The modified conceptual model based on Kerr's (2000) work is presented in Chapter 6.

Summary

Chapter 2 addressed the literature related to four areas of the research: (a) performance indicators, (b) performance-based funding, (c) accountability in higher education, and (d) autonomy and decision making. There was a need to understand the impact of this funding initiative on higher education and to lay the groundwork to develop the conceptual framework for the study, as well as to continue the development of the research question.

Birnbaum (2000) suggested that institutions and governments use performance indicators because the data are available. Other researchers found that the indicators are based on past history and not necessarily best practices. Ewell (1993) as cited in Birnbaum (2000) contended that they encourage control-oriented management. Ruppert (1995), like Kerr (2000), stated that they are a policy implementation tool; and Burke (1998a) noted that they focus on efficiency and not necessarily quality. These indicators form the basis for performance-based funding. Barnetson (1999) worried that funding envelopes ultimately destabilize institutional funding. Birnbaum suggested that performance-based funding is unsustainable. Other researchers examined the impact on the system. Most notably, Atkinson-Grosjean and Grosjean (2000) provided a comprehensive list of concerns garnered from their research on the impact of funding envelopes within the PSI. Burke's (1998c) research found that performance-based

funding rewards the rich institutions and ignores the downward spiraling impact on what he terms their poorer relations. He also questioned whose interest is being served by moving toward performance-based funding, the institution's or the external stakeholders'. A meta-analysis of the literature reviewed on performance-based funding suggests broad areas of concern ranging from goal conflict to the impact on institutional planning.

Governments today respond positively to accountability initiatives, and Cutt (1990) attributed that to their search for a solution to diminishing resources. Research on accountability in PSIs examined what government's role should be in providing for higher education. Graham et al. (1995) suggested that if internal accountability is under control, then improved external accountability is a natural outcome. They outlined four principles of accountability within the control of the PSIs.

Autonomy and decision making are tightly connected terms in the academe and are impacted by resource dependency, as discussed by Slaughter and Leslie (1997). Fryer and Lovas (1990) contended that colleges are complex systems and decisions are not context free. A brief summary of the findings as they relate to Kerr's (2000) conceptual framework was presented. Chapter 3 describes the approach to the research, the research design, and the research method.

CHAPTER 3

RESEARCH DESIGN AND METHOD

This chapter describes (a) the approach to the research, (b) the research design, and (c) the research method. The research was a four-site qualitative study that investigated performance-based funding by drawing on and analyzing interview and documentary evidence. According to Merriam (1988), "Qualitative research assumes that there are multiple realities—that the world is not an objective thing out there but a function of personal interaction and perception" (p. 17). The interpretive framework, or form of inquiry, as described by Denzin and Lincoln (1998) and Guba and Lincoln (1998), is constructivist, otherwise referred to as naturalistic inquiry. Interviews and documentary evidence were the data-gathering instruments, and data analysis focused on themes that emerged from the data and assertions on those themes.

Approach to Research

Why one chooses a particular question to research is driven by several factors. Wolcott, as interpreted by Dillon, O'Brien, and Heilman (2000), explained it in this way:

> *Posturing is not only a matter of identifying a strategy and capitalizing on research talents, it is also a personal matter influenced by the kinds of information and kinds of memberships. . . . Prior professional commitments . . . and future professional aspirations . . . also exert an influence. . . . These commitments consciously or unconsciously influence our identification of problems . . . that make them amenable to study.* (p. 16)

Because naturalistic inquiry is the worldview that I personally embrace, the following points from Guba and Lincoln (1998) on constructivism as posited by

Schwandt (1998) need to be understood in the context of the research, particularly for the data analysis phase.

> 1. *Constructions are attempts to make sense of or to interpret experience, and most are self-sustaining and self-renewing.*
> 2. *The nature of quality of a construction that can be held depends upon "the range or scope of information available to a constructor, and the constructor's sophistication in dealing with that information.*
> 3. *Constructions are extensively shared . . . that is, collective and systematic attempts to come to common agreements about a state of affairs. . . .*
> 4. *Although all constructions must be considered meaningful, some are rightly labeled "malconstruction" because they are "incomplete, simplistic, uninformed, internally inconsistent, or derived by an inadequate methodology."*
> 5. *The judgement of whether a given construction is malformed can be made only with reference to the "paradigm out of which the constructor operates"; and*
> 6. *One's constructions are challenged when one becomes aware that new information conflicts with the held construction or when one senses a lack of intellectual sophistication needed to make sense of new information.* (p. 243)

Naturalistic inquiry does inform this research. Given the dynamics and evolving environment that encompass the general research question and the method of data collection chosen to explore that environment, the research can be best served through this mode of inquiry.

Although naturalistic inquiry does not seem to embrace a singular philosophical view of the world, Dillon, O'Brien and Heilman (2000) purported that "any research suggests ontological, epistemological, and axiological concerns even if researchers do not explicitly acknowledge these assumptions" (p. 15). Stake (1995) illuminated this point:

> *The emergence of naturalistic approaches to administrative inquiry, which began in the 1970s, is based on a phenomenological orientation to epistemological issues. Because naturalistic inquiry seeks legitimation as a valid paradigm of inquiry, it must attend to questions as to its worth. This requires dealing with such issues as trustworthiness, and this in turn involves methodological considerations.* (p. 49)

According to Guba and Lincoln (1998), naturalistic inquiry is almost impossible to replicate due to the personal approach of the interviewer. To compensate for this, they cautioned that researchers need to ensure consistency in research process. Consistency was sought at each stage of the research design.

Research Design

In preparation for undertaking the research, I participated in a field experience placement in the former Department of Advanced Education and Career Development (AECD) in 1998. It was during the many meetings and discussions on the Performance Envelope and the opportunity to review original consultation responses from the various postsecondary institutions that the general research question started to unfold. Those experiences were the final catalysts to cement the idea of a study on this topic. Prior to this, I had participated in preparing the institutional response for a PSI to AECD's (1995a) initial consultation document, *A Proposed Performance Based Funding Mechanism for Alberta's Public Postsecondary Education System*. That experience piqued my interest in this funding initiative, and I closely followed how developments associated with it unfolded.

A review on the development of the postsecondary system in Canada was undertaken to contextualize the area of study. Documents relating specifically to the growth and development of the college sector in Alberta were reviewed. On approval to proceed with the research, a profile of selected institutions was developed based on a document review of institutional publications and publicly available government documents, particularly their annual reports and others that related specifically to the development of the Performance Envelope (PE).

General Research Question

The purpose of the research was to examine the following question: "How has the Performance Envelope, as applied in Alberta, served as an incentive to colleges to make changes that would support both the colleges' strategic direction and the ministry's objectives of accessibility, quality, and relevance?" To address this question, the following specific research questions emerged:

1. What is the nature of the decision-making process in the college, and how has the Performance Envelope affected the process?
2. How have institutional governance and autonomy changed as a result of the Performance Envelope?
3. How closely aligned are the colleges' strategic goals with the goals set out by the Ministry of Learning?
4. What structures were put into place to accommodate the Performance Envelope?
5. What other changes occurred at the college as a result of the Performance Envelope?

Nature of the Study

The research was a four-site qualitative study that utilized an interview guide to gather data. An analysis of interview and documentary evidence was used to address the research question. The study was qualitative, therefore descriptive, in nature; and, as anticipated, new theory related to the role of decision making under changing circumstances in higher education emerged. As Janesick (1998) described it:

> *The qualitative researcher is very much like an artist at various states in the design process, in terms of situating and recontextualizing the research project within the shared experience of the researcher and the participants in the study. . . . The design serves as a foundation for the understanding of the participants' worlds and the meaning of shared experience between the researcher and participants in a given social context.* (p. 37)

The research created an understanding of the current and expected future impact that the Performance Envelope has had on the behavior of colleges. One cautionary note that Borg and Gall (1996) made to qualitative researchers is not to "allow preconceived ideas and expectations to influence their observations" (p. 408). Their point is well taken, particularly as it relates to interviewer bias.

The visibility and use of directed funding envelopes in the Alberta PSI system, particularly one tied to performance, emerged in the mid 1990s as one strategy response to deficit reduction mandated by the provincial government. The research provided the opportunity to explore intimately with college presidents and their senior executives the decision-making process in their college given the changed funding circumstances in the form of the Performance Envelope and the impact that that has had on autonomy, strategic planning, and governance in their college.

Research Method

The research was based on data collection from personal interviews with selected college presidents and their academic and administrative vice presidents in the Alberta postsecondary system. An analysis of the institutions was undertaken to familiarize the researcher with the colleges' mandates, governance structure, annual reports, and related planning documents. This helped contextualize the research and provided a basis for interpreting the interviewees' comments and observations within that context. Themes informing the research emerged, and these were subsequently incorporated into the

conceptual framework for data analysis provided in Chapter 2. Documentary evidence from the department was delimited to documents related to the development of the performance funding mechanism, as well as to the annual business plans as they addressed the specific questions.

Selection of the Participants

The research was delimited to public colleges whose presidents had been in office since January 1997. This date ensured that these presidents had participated in the consultation process on a key document related to the general question of this study. That document, *Encouraging Excellence and Rewarding Success in Alberta's Public Adult Learning System: A Proposal for Implementing a Performance Based Funding Envelope* (AECD, 1996b), reported on the current status of the Performance Envelope and was the first look at the financial implications of the calculations for their college. The research was limited to the presidents of four colleges and their academic and administrative vice presidents. The respondent group included these 12 individuals. One college was from the northern region, one was from a main urban area, and two were from the southern rural region. The president involved in the pilot study was later included. It was anticipated that these respondents' input would provide a balanced view on how performance funding affected the behaviour of their college related to strategic planning and governance. Their involvement was voluntary, and there was no condition put upon their involvement once the research was undertaken. They were informed they could opt out of the research up until completion of the study.

Key respondents were chosen from four of the seven eligible institutions based on the study limitations. These four were chosen to provide a distribution throughout the

province. I knew several potential respondents, and interviewer bias was held in check through the use of the interview guide. The interview guide was piloted with one long-standing president from in the PSI system who recently had become part of the eligible institutional sector. The pilot study tested the appropriateness of the interview questions to solicit responses important to the research. After an analysis of the pilot study participant's responses, I consulted with one of the research supervisors to finalize the guide and receive approval. It was anticipated that selected respondents would commit to an interview on this timely topic. That assumption proved correct in all but one instance.

Implementation of the Performance Envelope was an outcome of the government's accountability policy and is a highly visible component of institutional funding. It remains contentious and continues to have currency to institutions given the system funding review that was completed in February 2001. Consultations on the Performance Envelope funding have been ongoing since its inception and will continue into the future given the recent decision announced in the MLA funding review. The Performance Envelope is embedded as part of the PSIs' ongoing funding allotment, albeit under changed circumstances and based on performance only. That process has yet to be determined.

The same interview guide was used to interview the academic and administrative vice presidents from the selected colleges. These vice presidents were responsible for ensuring implementation of the decisions that impact KPI results; hence the report card and, ultimately, the funding awards. Clarification on perceived discrepancies between the interview data and publicly released information on the Performance Envelope primarily

as it related to awards was undertaken with a department bureaucrat who worked directly on the development of the Performance Envelope.

Selection of the Instrument

Interview Schedule

A semistructured, open-ended interview schedule was developed to address both the general and specific research questions. The schedule was prepared to ensure consistency of data collection and to address interviewer bias. It allowed for probing of specific responses that could bring added clarity to those responses. Glesne (1999) stated:

> *Researchers ask questions in the context of purposes generally known fully only to themselves. Respondents, the possessors of information, answer questions in the context of dispositions (motives, values, concerns, needs) that researchers need to unravel in order to make sense out of the words that their questions generate. The questions, typically created by the researchers, may be fully established before interviewing begins and remain unchanged through the interview. Questions may emerge in the course of interviewing and may be added to or replace the pre-established ones; this process of question formation is the more likely and the more ideal one in qualitative inquiry.* (p. 68)

The finalized interview guide is provided in Appendix A. It was piloted once approval was received from the Faculties of Education and Extension Research Ethics Board Studies at the University of Alberta to proceed with the research. The questions were generated after a review of the government's documents related to the development of the Performance Envelope, completion of the literature review, and interaction with the research supervisors, as well as after discussions with the Department of Learning officials and personal exposure. The questions were slightly modified based on the data analysis of the pilot study. The final questions were grouped into five categories: (a) decision making, (b) change, (c) strategic planning, (d) governance, and (e) accountability. The primary focus of the interview schedules was to elicit responses

related to the interviewees' perceptions of the impact of PBF on the college sector. Two questions were added after completion of the pilot study. One came under the strategic planning category, and the second one related to governance.

Pilot Study

Prior to contacting potential interviewees it was determined that a pilot study would assist in fine-tuning the interview instrument as well as in determining whether the questions already established indeed provided the type of responses that would be considered informing to the research. The pilot study consisted of interviewing one college president who met all the criteria for a participant: He was a long-standing president in the system and had participated in discussions on performance-based funding. He did not, however, belong to the college sector as delimited for the study.

The pilot study consisted of one individual. This was deemed sufficient given the small number of potential interviewees and the fact that the individual identified for the pilot had extensive experience in the system in a variety of senior executive roles. His most recent roles were as college president. Dr. M. Andrews, my research supervisor, felt that I would accomplish what I needed to based on piloting the study with this individual. I contacted him requesting his participation in the pilot; he agreed, and a modified form of the participant letter and consent form in Appendix B was sent to him.

The interview unfolded as anticipated. The purpose of the interview was reviewed with him, and the terms and conditions regarding his ability to opt out of the interview were reiterated. I explained that the information for the actual interviewees would be different in that they would have the opportunity to opt out of the research at any point up until completion of the study. I also explained that I would be providing him with an

report summarizing my interpretation of his responses. I was to return this report to him for verification and validation. He signed the consent form.

The interview was undertaken. Upon completion of the interview, I asked him to debrief the process. It was during this phase that a suggestion was made regarding a question that he had expected to answer given the topic. That suggestion resulted in an additional question on governance. After the interview I listened to the tape and reviewed my notes. The following day I transcribed the tape and completed editing the transcript. It was through this process that I added another question under strategic planning.

The next stage involved preparing an interpretation report. I began that process by reviewing his comments and sorting them under the categories that comprised the interview guide. The outcome was a rearranged interview transcript, because I did not want to omit any key information that might be useful in the data analysis. I began to question my process, and I contacted my supervisor for advice. He indicated that if I were to use any data not included in the interviewees' interpretation report, I would need to contact them for permission to include the data. Given the early stage of the research, I decided to make the final decision regarding an interpretation report versus a full transcript once I had the opportunity to review additional transcripts. As I later transcribed the respondents' transcripts, it became obvious to me that providing the full transcript to them would provide me with the assurance that I had the data I needed for the research. I weighed the interviewee's reading through and approving an entire transcript versus a shortened interpretation report with the possibility of needing to request that additional data be approved by them after the fact. These respondents occupied the most senior positions in their college, and their time was at a premium. I

was fortunate to have been able to have them commit to the interviews and believed that I would be impinging on their time if I were to go back to them with data that had not been included in the original interpretation report. For this particular research, choosing to return the full transcript was the right decision. It allowed the interviewees to review their transcript in the context of how the actual discussion unfolded rather than their attempting to reconstruct the context. It also allowed me to interpret the data within the context of the raw data reinforced by listening again to the taped interview if I felt that there was an issue with interpretation of the data as I made sense of it. As well, I relied on my own experience within the system and on my field notes in instances where I felt that I needed confirmation during data interpretation.

Permission to Undertake the Research

It was intended that initial contact with presidents and vice presidents from eligible institutions would be by phone. I made personal calls to all the interviewees whether I knew them previously or not. Initially, I contacted four individuals who met the criteria; three agreed to participate. I then contacted a fifth person, and he/she agreed to participate in the research. Of the 12 interviewees I called, six took the call personally: two presidents, one academic vice president, and three administrative vice presidents. For these interviewees, the purpose of the research was explained, and they were asked to consider participating. All agreed. For the remaining interviewees, contact was made through either an executive assistant or a secretary. A summary sheet outlining the research and providing key contact information was sent to six interviewees from two of the colleges. The change midstream to look for a fifth college was decided when it became obvious that one institution's executive committee collectively did not see their

way clear to setting aside time for the interviews. I did not have the opportunity to speak to any of that executive committee but was screened by the president's executive assistant.

Once the interviewees agreed to the research, a formal letter was sent requesting their participation, outlining the research, finalizing the interview date and time, and indicating their ability to opt out at any point until the completion of the research. Enclosed was a consent form that included my contact information as well as contact information for my supervisors. A copy of the letter and consent form are included in Appendix B.

Data Collection

The interviews were undertaken in March and April 2001. Although there did not appear to be a best time of the year to undertake these interviews, the fact that they fell around the time that colleges were in the process of completing their three-year business plan submission was fortuitous. Due to the distance traveled to some colleges, interviews were completed with all three interviewees in one day. This proved beneficial because it allowed me to immerse myself in their college if only for a day. I ensured that I arrived at least an hour ahead of the first interview to allow time to walk through the campus and absorb the atmosphere. The final interview guide was semistructured and included open-ended questions. Each interview took between 60 and 90 minutes; none were time bound. The interviews were audiotaped, and notes were taken of salient points that emerged during the interview. Observations were recorded and assisted in the data analysis, and interview notes were kept and reviewed during the data analysis phase.

Data Analysis

Merriam (1988) noted, "Data collection and analysis are a simultaneous activity in qualitative research" (p. 119). Data were analyzed on several levels. The interview tapes were replayed the same day as the interview was conducted to embed the context and perceptions of the interviewees in my mind and to revisit observations and comments made during the interview process. This was helpful in refining my interview technique and was also helpful during the transcription process. A first level of analysis included reviewing notes taken during the interview and observations that were recorded. A second level of analysis was undertaken as the interview tapes were transcribed; the transcripts were cleaned up of any individual nuances that would distract the interviewees as they reread their transcript. This did not change the intent or meaning of what was said. Once the typed transcript was completed, the tape was played again to verify the accuracy of the transcription. Attention was paid to breaks in responses and changes in vocal tones. The transcripts were returned to the interviewees with a request to review the transcript for accuracy of their comments and to provide feedback regarding changes. The letter that accompanied the transcript is included in Appendix C. Four individuals contacted me: two for minor typographical changes and two others who provided verbal feedback on their interview. I then proceeded with the data analysis.

Themes emerged that were initially grouped into major categories related to the interview schedule and to the conceptual framework. Merriam (1988) referred to this last level as intensive analysis. Subsequent analysis was undertaken based on the data collected from (a) all three interviewees at each college, (b) the college presidents inclusive of the pilot, (c) the academic vice presidents, and (d) the administrative vice

presidents. These data sets were coded, and a comparative data analysis resulting in cross-data comparisons was made. These were helpful in assessing conflicting or compatible views among peers and within institutions. This process led to some interesting findings that otherwise may not have been uncovered.

Trustworthiness

Stake (1995) described trustworthiness as ensuring a consistency in data collection and analysis, ensuring that the detail is accurate, and identifying the interconnectedness of the data. He equated trustworthiness with validity. Trustworthiness was monitored through triangulation. In addition to the interviews, documentary data were also gathered through an analysis of the institutions that I undertook early in the research to familiarize myself with the colleges' mandates and governance structure. This helped contextualize the research and provided an additional basis for interpreting the interviewees' comments and observations within that context. As well, the respondents were asked to review their interview transcripts and to confirm the accuracy of the raw data. Data corroboration was undertaken using the transcripts from the interviews with the academic and administrative vice presidents from each college and comparing those to responses from the president and vice versa for each group. Additionally, the audiotapes were cross referenced to the field notes taken during the interview to ensure data interpretation consistency. When content differed from documentary evidence, follow-up was undertaken to clarify accuracy of the content. Finally, the draft conclusions and recommendations were discussed with a respondent to ensure that they were consistent with his experiences. This was undertaken in lieu of providing interpretation reports to each respondent. Interview biases were identified and accounted

for prior to the start of the research and were accommodated for in the development of the interview guide.

Bolman and Deal's (1997) organizational design model was used as an analysis tool. Their four-framed model allowed for inclusion of a wide variety of assumptions that dealt with research and theory that were relevant to the PSI system. The model gave a specific focus to the study findings and allowed them to be analyzed, taking into consideration competing concerns within the system. It allowed me to view the research findings with a singular emphasis on each frame and a holistic emphasis on combined frames.

Ethical Considerations

The research abided by the relevant criteria outlined in the ethical guidelines as required by the Faculties of Education and Extension Research Ethics Board Studies at the University of Alberta to ensure that they are observed. Particular attention was paid to addressing issues of anonymity. Confidentiality was maintained by assigning pseudonyms to each participant and institution. Institutional anonymity, and thereby participant anonymity, was further ensured by omitting institutional references such as urban/rural. Specific reference to unique identifiers such as program specialization were also omitted. The identity of the interviewees and their colleges was not known to anyone other than the researcher and the research supervisors. Maintaining confidentiality on the identity of the institutions was initially difficult because several individuals with whom I had discussed my research were interested in knowing which colleges were involved. Their interest was purely polite. Some interviewees were also interested to know which of their colleagues were interviewed; again, this was considered polite interest only.

Summary

Chapter 3 described the approach to research, the research design, and the research method. The research was an investigation of performance-based funding. Interview and documentary evidence were the primary sources for data. Naturalistic inquiry informed the research. The research design was detailed by (a) reiterating the research question; (b) describing the research method, including the selection of the participants, the data collection instrument, and the pilot study; and (c) indicating how the data were collected and the phases of data analysis.

Issues of confidentiality guided how the data analysis was undertaken and guided the discussion on the findings. Trustworthiness was accounted for with full intention of maintaining a consistent process that could be followed by other researchers. Chapter 4 provides the historical context on the impact of the federal government on the provincial postsecondary system in Canada and the development of performance-based funding in Alberta. It forms the backdrop for this research.

CHAPTER 4

THE ALBERTA CONTEXT

This chapter provides the context for the data analysis and the discussion and findings chapters of this research, thus providing a framework to apply to other higher education systems. The framework for this chapter is comprised of five sections. The first section reviews the policies of the federal and provincial governments as they relate directly or indirectly to funding of postsecondary education. This was key to understanding the broader context within which the provincial system in Alberta developed. In the second section a full description of the Alberta postsecondary system is provided. Actions taken by the Alberta government to develop envelope funding are described in the third section. The fourth part of this chapter explains the process of Performance Envelope (PE) implementation. Finally, a description of the Alberta system today completes the context that is key to understanding the subsequent data analysis and discussion chapters of this thesis.

Federal Government Involvement in Funding Higher Education

The federal government maintains a preeminent role in higher education primarily due to the financial contributions that have been transferred to provinces through various iterations of funding transfer programs and granting councils. Canada does not have a federal education ministry, and this fact confounds federal/provincial relations in this area. Education, as mandated in the British North America Act, clearly gives jurisdiction for all educational matters—with the exception of Aboriginal education—to the provinces. Federal government policies, most notably labour market and economic

policies, directly influence the priorities set provincially for education and training. With the federal political environment ensuring programs for economic and regional development, the federal government expects to be involved in higher education initiatives related to that development. Manpower planning goes hand-in-hand with labour force participation, and close attention has always been paid to labour market development that serves growing industries and economies. This trend continues today and is particularly visible in the targeted funding directed at university and applied research and funding for the growth of information technology initiatives throughout the college and university sectors as two examples.

Jones (1997) aptly described the distinctiveness of higher education in Canada as unique and attributed that to differing provincial and territorial systems: "The challenge of describing and analyzing Canadian higher education is made even more difficult by the fact that one can argue that each Canadian province and territory has created a unique network of postsecondary structures and policies" (p. 1). Dennison (1995) used the term *quasi system* to best describe the eclectic mix of educational institutions that comprise the provincial and territorial systems, the way they are organized, and how indistinguishable private and public institutions actually are. The use of that term is more relevant in 2001 than it was when he initially described the system in the mid 1990s.

Federal Government Funding

Historically, federal transfer dollars to the provincial governments gave clear entry to the federal government for involvement in postsecondary education at the provincial level. Bercuson, Bothwell, and Granatstein (1997) summarized how universities were funded at a time when there was uncontrollable growth in the higher

education system in Canada: "In the mid-1960s universities derived their income from four sources: endowments (3.7% in 1962); tuition (27%); government grants, federal and provincial (58%), with the balance made up by 'miscellaneous'" (p. 17).

Restructuring and expansion of the granting councils over the years have had their own direct impact on funding. The Established Program Financing (EPF) implemented in 1977 had a profound and lasting effect on the higher education system. EPF and other federally sponsored programs were directed at influencing training and education in the provinces. From the outset, it was determined that the EPF funding was to be unconditional and was in response to the provincial government's demands for jurisdictional control over education and the federal government's wish for more controlled spending. On the surface the intention abided by the spirit of provincial autonomy for postsecondary education, but Cameron (1997) noted that the federal government continued to advance its priorities to provinces through its funding policies. He provided harsh criticism of the federal government on its attempts to maintain involvement in higher education. Using EPF as an example, he stated:

> *Federal schizophrenia went to the very heart of EPF and, most particularly, to the postsecondary education component. . . . The arrangement was legally unconditional, leaving the federal government no leverage whatsoever over the way provincial governments used the attendant revenues. Yet from the very beginning, federal politicians and officials refused to accept that this was so. Prime Minister Trudeau . . . conceded, the transfers were unconditional, and provincial governments ". . . would not have to make matching expenditures of any kind from their own resources." But on the other hand, he asserted, ". . . The federal government . . . does nevertheless have to concern itself with what is done with the funds."* (p. 17)

As Cameron (1997) noted, this situation led to the "invitation to the federal Secretary of State to participate in the deliberations of the inter-provincial Council of Ministers of Education" (p. 17). Prior to EPF funding, there were attempts over the years

to have the federal Department of the Secretary of State participate with the provincial ministers of education on the Council of Ministers of Education Canada (CMEC). The provincial ministers objected to that participation, but after the introduction of EPF, they acquiesced in an attempt to control the unfolding of federal funding.

The Canada Health and Social Transfer (CHST) program was established in 1997 to transfer monies to the provincial coffers principally for health and education. Along with implementation of this program was a 30% transfer reduction. Prior to CHST, successive federal governments took fiduciary, social, and economic responsibility for the development of the postsecondary system in Canada. That focus remains today as evidenced, using one example, by the establishment of the Government Caucus on Postsecondary Education and Research, a committee established to examine postsecondary education in Canada. It is difficult for many in the system to reconcile government initiatives to improve the higher education system when financial support is not deemed sufficient by those within the system due to the continual declining transfer payments to the provinces. As reported in the *Postsecondary Funding Framework* by the Confederation of Alberta Faculty Associations (CAFA; 2000), funding transferred to Alberta through the CHST has decreased by $7 billion between 1996 and 1999. Once the CHST is given to the provinces, the province then determines how much is allotted to health, education, and social programs. Decreases to CHST did not automatically translate into reduced operating grants for PSIs. Due to Alberta's significant deficit-reduction strategy in the mid 1990s, the provincial government determined that they would not pass on the reduced CHST cuts to their PSIs but would find a way to apportion the transfer dollars based on provincial priorities.

Despite the fact that the federal government has not been able to guarantee how much of the transfer payment goes into provincial higher education, they do continue to assert their role in higher education. There is a series of targeted funding initiatives in specialized research areas quite separate from CHST. Recent examples of their involvement above the transfer payment is the research and infrastructure funding through the Canadian Foundation for Innovation and the 21st Century Research Chairs. Continued targeted funding is provided through their traditional research councils; most notably, the Social Sciences and Humanities Research Council. However, these funds have been markedly reduced. During the federal government's quest to balance its budget concurrently with provincial governments undertaking the same task, the key grants were cut significantly, and they have not returned to their original funding capacity.

Clearly documented in the Canadian Senate (1997) report by a Special Senate Committee that looked at postsecondary education in the country are the basic tenets of the federal government's role in higher education as they determined it. The committee reported:

> *Throughout our deliberations, we have been scrupulously conscious of the fact that education, including postsecondary education, is a matter that falls largely within provincial jurisdiction; we respect that constitutional provision in this Report. Nevertheless, we were struck by the frequency and ardour of appeals from our witnesses for a greater propensity to view postsecondary education as being in the national interest and for a larger role to be played in it by the federal government. We are also very conscious that, in recent decades, through a variety of means—tax point abatements under Established Programs Financing, transfers under the Canadian Health and Social Transfer, funding of research by the national granting councils, Canada Student Loans and many other initiatives—the federal government has contributed essentially half of the cost of postsecondary education in Canada. It is thus no exaggeration to note that the health of postsecondary education in this country depends critically on the Federal Government's continuing to assume a suitable role.* (p. 9)

Defining the suitable role is the challenge. The committee's statement supported what Slaughter and Leslie (1997) and Sporn (1999) contended in their discussion on resource dependency. They noted that organizations facing constraints coupled with external control have reduced autonomy. In this instance the assertion would be the external control exerted by the federal government through its transfer payments and targeted funding to provinces. This has an impact on provincial autonomy related to higher education and the dynamics of the postsecondary system in terms of dependency. Birnbaum (1990) proposed that the respective governments are loosely coupled on the support and delivery of higher education. Indeed, it could be argued that transfer payments to provinces by the federal government are the ultimate in targeted funding envelopes. Criticism over allotment of funding has not abated.

From a historical funding perspective the assertion of external control by the federal government has been supported. The federal government had also provided targeted funding through labour market training programs such as the now-defunct Canadian Jobs Strategy and since 1995 through Human Resources and Development Canada programs, primarily in the employability and income support areas. Many of these programs are offered in the college system, which is one clear example of the federal government exerting its influence in the college sector by determining the type of training offered for targeted sectors of the economy.

Inherent in the federal transfer payments is a certain loss of autonomy for provincial governments. There is uncertainty surrounding the level of transfer payments because they reflect the fiscal and economic policy of the day. There is a constant question of equity related to dollars outside of CHST because primarily large urban areas

with research institutions benefit from these funds. Colleges have only recently been considered for research funding, and only in the applied research area. Targeted federal funding serves to destabilize long-term planning based on provincial priorities. As reported by CAFA (2000), the federal government will not increase the CHST funding because it believes that it has "a lack of control over how the money is spent and because it gets no public 'credit' for the funds transferred" (p. 4). Some in the system would welcome an increase in the CHST. Others believe that the increased involvement by the federal government is not in the best interest of the higher education system and that the system needs to look beyond this funding source and rely more heavily on other unconditional revenue sources. The most desirable sources would result in revenue. That debate will be heated and persist into the future.

The Alberta ministry in the case of the Performance Envelope behaves in much the same manner as the federal government. They target money through funding envelopes based on performance, thus ensuring compliance with the government's Accountability Act enacted in 1995. The Alberta provincial government has been more successful in making the public acutely aware of the source of the initiatives and associated funding. Federal and provincial relations regarding funding for higher education in Canada remain strained.

The Alberta System

In Alberta, colleges are autonomous organizations organized under the Colleges Act and have governing boards consisting of public members appointed by the ministry and elected members from the various stakeholder groups within the college, notably support staff, students, faculty, and administration. The mid 1960s spawned rapid growth

in postsecondary education across the country, but reasons to develop an expanded postsecondary system in Alberta can be attributed to a plethora of causes related to economic growth and demand for access. As described by Andrews, Holdaway, and Mowat (1997):

> *The status of education seemed to have changed at the end of the war. In due course, employment opportunities were plentiful; prospective employees were scarce, and remuneration was high. Individuals saw education as the path to a good life. Access became a right, and opportunity became the mark of a desirable system. The resulting increase in the participation rate, applied to a larger population, fed the transformation of the postsecondary system.* (p. 60)

Accessibility remains a key driver for the system today and continues to shape much of the policy direction of the government, as is apparent in their initiative to revise their funding model. Ministry information from the 1999/2000 annual report summarized the postsecondary system in Alberta as consisting of 27 publicly funded institutions, of which 16 are colleges. This sector accounts for approximately 34% of the students. According to the report, approximately 19%—or $890M—of the Learning Ministry's budget went to postsecondary institutions during the year. Total full-load equivalent (FLE) for the postsecondary system was 115,331 based on enrollment data from 1998/1999, the last year for which data are currently available at the time of this study.

The system evolved radically in the last five years, driven primarily by direction from Alberta Treasury that became the framework for the Accountability Act. Treasury was the architect of that act, and it was in response to putting Alberta's "fiscal house in order," the political cry made loud and clear by the Progressive Conservative party and most visibly by an extremely popular premier, Ralph Klein. It guided all the ministries in their efforts to comply. In attempting to understand the historic relationship between Alberta's PSIs and the department, Dennison (1995) pointed out that

> *Alberta has focused on rationalization and long-term planning rather than upon radical restructuring. The productive relationship between the provincial government and the institutions, a relationship administered through the department of Advanced Education, has continued to be one of interdependent coordination and negotiation rather than one of reactive response to the directives of a centralized administration. In spite of the administrative role of government in setting financial allocation policy and in program approval, there remains a high level of institutional autonomy and diversity.* (p. 26)

This statement was apropos of the mid 1990s, but the implementation of funding envelopes in the latter part of the 1990s put into question this pronouncement. The decision to develop a funding mechanism predicated on targeted funding was viewed as radical. By the very nature of the incentive funding, the level of institutional autonomy eroded; funding for specific purposes that were not necessarily determined by institutions usurped a certain level of autonomy in the PSIs.

Destabilized funding for postsecondary education was generally believed to have started with the 1994 budget cuts—21% across the system—but more likely it can be attributed to the reduced general operations grant in 1991/1992, in which only a 3% budget increase was given. The provincial government managed to further destabilize funding by implementing funding envelopes for access, infrastructure renewal, learning enhancement, and performance during this time. They were all deemed in support of provincial priorities, came at the behest of the government through the Accountability Act (1995), and, in the case of the PSIs, were enacted through the department's initiatives.

The Evolution of Envelope Funding in Alberta

PSIs in Alberta acknowledged that they were unable to cope with the continued financial demands of their institutions as related to (a) reduced overall funding, (b) budget increases that do not reflect true inflation, and (c) destabilized funding caused

primarily by targeted funding initiatives. Alberta began the 1990s with an excessive budget deficit and a newly elected premier who campaigned on ensuring that the deficit would be eliminated. *Toward 2000 Together: A Discussion Paper on Alberta's Economic Options and Choices* (Alberta Premier's Office, 1991) was a policy framework document that laid the groundwork for substantial change. The basic premise of that policy framework was that it identified a clear link between education and labour force planning in the province. The Accountability Act, a work-in-progress since 1993, marshaled in a new era of provincial spending, deficit reduction, and performance measures. There was a commitment given by the provincial government to balance the budget by 1996/1997. The path was laid before the people of Alberta. Government ministries embraced the direction and implemented a maze of programs and deficit reduction strategies to meet the target, all under the careful and watchful eye of Treasury.

The minister of the day for Advanced Education and Career Development (AECD) requested that his department develop an accountability framework. AECD, working with key individuals from postsecondary institutions and external consultants, developed guiding principles for the process. They determined their approach to identifying and defining accountability measures for system performance that resulted in the first iteration of key performance indicators. That exercise was fraught with problems, but the groundwork was laid and the initiative put in motion. One interviewee during the course of this research commented that the process of creating and defining the initial KPIs captured the ultimate confusion that hampered the process, and the residual effects remain today. He noted:

> *I think there have been so many measures implemented as part of the accountability mechanism; . . . there has been a multitude of different measures put into place. Some of them by different departments, even. But Alberta Learning (former AECD) has been collecting most of it. Some of it relates to Alberta Infrastructure or what was then Public Works; some of it was related to direct programming, . . . that there was sufficient confusion out there about what were the measures being used for. And let me give you a specific example of it. In the end analysis. . . . While it shouldn't have anything in my mind to do with performance funding, one of the measures was they wanted was affordability. . . . The intent of affordability was affordable to the students and to taxpayers. The measures being used are, percentage of revenue from external sources and the percentage of your expenditures that are administration, neither of which necessarily have any relationship to affordability. There's a cynicism out there and there are serious doubts about '. . . Are they really serious about these?'*

There were misgivings and confusion from the outset of that process, and these were well documented in Kerr's (2000) research on key performance indicators.

Given direction by the Treasury Department to develop their first three-year business plan, and as a parallel activity for the development of the KPIs, strategy meetings were held within the former Department of Advanced Education and Career Development to determine their approach to developing an appropriate funding mechanism. In discussions with a key individual in the department, I learned that the department felt that either it would determine its own approach to meeting government targets or it would be determined for them by Treasury. AECD consulted various stakeholder groups in preparation for their business plan development; interestingly, the department's business plan had already been completed prior to those consultations to ensure that they met the government's planning cycle. However, based on a modicum of consultation with key stakeholders, the Draft White Paper, *An Agenda for Change* (AECD, 1994a), was released in March 1994. The intent of this draft white paper was to arrive at a set of agreed-upon principles for implementing a new funding mechanism that would, as was stated within the document, promote quality; encourage productivity;

allow for equity, stability, and predictability; be consistent; and be adaptable and practicable. These objectives became embedded in future planning and policy documents produced by the department. The funding mechanism they strived to ultimately attain was one that met the department's four major business plan goals of accountability, accessibility, affordability, and responsiveness. The primary goal was to renew Alberta's adult learning system through accountability and performance measurement; the target market for this renewal was the Alberta taxpayer, employers, and the learner.

Based on written responses to the Draft White Paper and through public consultation, a policy document was developed. In October 1994 the White Paper *New Directions for Adult Learning in Alberta* (AECD, 1994b) was released. This document became the catalyst for fundamental changes in the postsecondary system and commonly was referred to as *the roadmap for adult education in Alberta*. Included in the initiatives was a commitment by the department to implement a performance-based funding (PBF) model by 1997/1998. In preparing *New Directions*, the department outsourced a consultant to research other jurisdictions, such as Australia, New Zealand, some US states, and Canadian provinces that had implemented some form of envelope funding.

Within the framework identified in *New Directions*, under the business goal of accountability, was early reference to a performance funding mechanism. Interestingly, envelope funding was discussed in principle by Bosetti (1972) when he developed a plan to address growth in the postsecondary system and by Dupré (1987) when he examined system equity at the request of the department. As outlined in the *New Directions* document, institutions in Alberta were to be held accountable through their comparative performance on quantitative and qualitative performance indicators that initially included

measuring institutional performance against their own improvement and other institutions in their sector while honoring differences in institutional mandates, size, and geographical location. Institutions were to be awarded performance funding based on a calculation that would use key performance indicators.

Eight months after the release of the *New Directions* policy document, a background document on a funding model, *A Proposed Performance Based Funding Mechanism for Alberta's Public Postsecondary Education System* (AECD, 1995a), was released to presidents, board chairs, faculty, and student associations. Stakeholder groups were consulted once again and requested to respond to questions on the guiding principles put forward in the document as well as the funding mechanism proposed. Included in the funding mechanism was reference to versions of the various funding envelopes.

Once the background document was released, senior members of the department undertook a round of consultations with institutional presidents as well as senior management teams from each PSI to elicit their feedback prior to full implementation of a revised funding mechanism. I was present at one such meeting in the early fall of 1995. The president expressed concern that the proposed timelines were tight and that the rollout of the funding model and consultation activity did not allow institutions to fully present their concerns prior to the development of the model. That executive team felt strongly that institutional concerns needed to be reflected in the initiative. Representatives from the department concurred with the statement but told the executive team that, although the timing did not appear ideal, there was pressure to meet

government deadlines on this initiative. They also indicated that there would be ample opportunity through future consultations to provide input.

It was felt by that executive team that the department was not the driving force on the push to fast-track implementation of a revised funding model. After undertaking an archival review of the department's notes from the first round of consultations that they held with the postsecondary institutions, it became apparent that executive teams from other PSIs made similar observations. Institutional teams did, however, fully participate in these consultations, providing input and submitting follow-up responses.

The government's focus on the Performance Envelope led to some primary concerns expressed by institutions about the proposed funding model. Philosophically, many institutions felt that they would do well on the Performance Envelope and agreed in principle with the basic tenets of the funding model. Each reacted with caution on the amount of the proposed general operations grant reallocation, initially identified as between 3% and 5%, that would be used to partially fund the initiative. The amount was noted consistently as inappropriate in relevant documentation from the PSIs. It would, they predicted, destabilize planning significantly. Institutional officials quickly noted that this would strategically affect their ability to plan for the future if this portion of the general operating grant was not assured into the future. They were also concerned about how performance would be measured, the KPI data-collection methodology, the types of indicators that would be selected, and how the benchmarks for comparison would be developed. Institutions did not necessarily have flexibility for worst-case scenarios that would bring about funding decreases that would have the effect of further reducing their operating grant beyond the 21%.

Eventually, in 1996, the Performance Envelope initiative was implemented. It called for the reallocation or clawback from institutions for the first round of awards of 0.5%, with expectations by the department at that time that the amount would increase. That never became the case. If institutions performed well, their performance award was rolled into their general operating grant for the next year; an opposite scenario was experienced for those that performed poorly, based on the results of their PE report card. Some institutions were concerned about the equity issue between urban and rural institutions but Dupré's 1987 equity study concluded that the funding rules as they apply to postsecondary institutions approximate "an equitable conditional amount to institutions" (p. 77). However, this was later challenged as part of the MLA Funding Review; funding adjustments were made to specific colleges in 2001 as a result of that challenge.

A second round of consultations was undertaken in 1995, and after their conclusion a revised document, *A Proposal for Performance Based Funding: Promoting Excellence in Alberta's Public Adult Learning System* (AECD, 1995f), was released. It overviewed how the various funding envelopes worked and what they were intended to accomplish. These included:

1. Performance: awarded dollars based on a report card on a selected number of KPIs and could represent between 1% and 3% of an institution's present operating grant plus some promised new funding;
2. Accessibility: replaced the Access Fund and was related to student access;
3. Learning and technology: one-time funding that addressed integration of technology, teaching, and learning; and

4. Capital investment: a matching fund to address investment in approved equipment and facilities based on the institution's mission as well as for upgrading existing facilities and equipment and research excellence, one-time funding to support university research only (pp. 4-5).

The inclusion of a performance-driven envelope that would "reward performance and assist and act as incentives for the adult learning system to make changes in support of objectives" (AECD, 1995f, p. 1) was the most contentious. It also introduced a report-card point system that was designed to use the key performance indicator data as a way to compare institutions on their own achievement and against others in their sector. It spelled out how funding would be awarded based on the ministry's business plan goals of accountability, responsiveness, affordability, and research excellence. As stated in the document:

> *Envelope funding is a way to describe funding for circumstances that are separately identified. This proactive method uses funding to guide institutions in directions that meet specific government objectives and meet needs of adult learners. These factors can change over time. The flexibility of envelope funding allows changing circumstances to be addressed, while maintaining the stability of the overall system. Envelopes allow activity with the system and with the sectors—university, technical institute, college and vocational—to be focused on specific issues that require concerted or specialized effort.* (p. 8)

Inherent in that statement is governance from without, which is spelled out clearly in the above quotation and should be reiterated: "to guide institutions in directions that meet specific government objectives and meet needs of adult learners" (p. 8).

The initial concerns expressed by institutions regarding the impact that external stakeholders—in this instance, the ministry—were confirmed in this document. The goal was to develop a funding mechanism that would (a) support postsecondary institution's various mandates for their learners, (b) reward performance, and (c) be consistent with

the government's agenda for a balanced budget. Paradoxically, this funding initiative came on the heels of the largest budget reduction that the postsecondary system had ever experienced since its inception. To date many PSIs are still struggling with the long-term impact of this reduction on their organizations. In contrast, the ministry publicly lauded its success.

The PSIs did as was expected by the ministry: They submitted written responses to a series of questions put forward to them as part of the *Proposal for Performance Based Funding* (AECD, 1995f) consultations. During a field experience with AECD, I had the opportunity to review each of these submissions in great detail. Each PSI expressed concerns relative to their own situation but also broader concerns that they believed impacted the entire system. Noncompliance from the PSIs did not appear an option, although it was learned during the research interviews that it was an idea that was bandied around during meetings of the college system's Council of Presidents as well as the Senior Academic Officers and Senior Business Officers groups. The University of Alberta was the key PSI detractor that did not initially comply; however, it continued to negotiate with the department but eventually succumbed. As noted by Bercuson et al. (1997):

> *When the Klein government in Alberta imposed seventeen performance indicators on the province's universities (including completion rates, success of graduates in employment, and the success of students transferring among institutions) and pledged to base a portion of university funding on performance, the initial response to the Tory beancounters' efforts ranged from unease to outrage—though the university administrators, sensing that they had no choice, quickly decided to work with Edmonton to ensure that the standards were 'fair.'* (p. 51)

Any new, additional, or unrestricted revenue from government was welcomed regardless of the provisos. The department received support from most institutions as it

guided the PSIs through this funding initiative. An often-stated complaint found in the written consultation documents was the inadequacy and the ultimate cost of data collection and analysis and the PSIs' lack of resources to properly support the activity. On a cost-benefit basis, much of the new, unrestricted money received through the Performance Envelope was used to offset the cost of data collection, thus actually reducing the effective impact of these unrestricted dollars. A glaring question remained: Would decision making on the future strategic direction and priorities for postsecondary institutions be compromised? It was becoming more obvious that external stakeholders, predominantly the provincial government, would strongly impact internal institutional decision making with respect to program changes and institutional priorities.

Performance Envelope Implementation

Following the consultation and final agreement on KPI definitions, the report card was implemented and KPI data were collected from the institutions. The base year for data collection became 1994/1995, the first year of the system budget cutbacks of 21%, and for many institutions their peak year for enrollment. This latter fact would prove disadvantageous for many institutions because improved performance in future years was directly related to increased full load equivalents (FLEs). On July 31, 1997, a news release with highlights on the Performance Envelope and the dollar amount of the learning awards (as well as research awards for universities) that was received by each public postsecondary institution in the province was reported. Depending on how they performed, the awards were based on a percentage of each institution's general operating grant. In order for the government to fund the envelope and in keeping with the guiding principles entrenched in the documents, each institution had a clawback from their

general operations funding of 0.5%. The original expectation by the ministry was that the Performance Envelope should be self-funded from the general operations grant. The department then returned a 1% system award for a net gain of 0.5% minimally. Some saw the 1% system award as a vague attempt to increase operating grants to reflect inflation. The entire process was visible to the public.

In 1996 a proposal for performance-based funding was followed by the release of *Encouraging Excellence and Rewarding Success in Alberta's Public Adult Learning System: A Proposal for Implementing a Performance Based Funding Envelope* (AECD, 1996b). It outlined the current status of the various envelopes, laid out how the awards were determined, identified and defined the indicators that would be used, reiterated the system goals, and described how the next consultation would unfold. Another series of consultations was undertaken, and a two-year pilot term was agreed to by the institutions. At the end of that two-year period, the government promised a review of the Performance Envelope with the intent of identifying a sustainable funding model that supported the goals of the ministry and those outlined in the government's Accountability Act.

In the first round of awards, 8 of the 21 institutions received the top award. This amounted to 1.5% of their base operating grant in addition to the system award of 1%. This was followed in year 2 with 12 of the 21 institutions receiving top awards of 1.26%. This amount reflected the commitment by the department of $15M for each of the first two years. Since the original annual budget for the Performance Envelope amount had not changed, those that received top awards had a reduced overall performance award due to more institutions receiving top awards. In year 3, however, the award totaled close to $17M, $15M from the PE and another $1.8M that was made available late in the cycle by

the minister and to the surprise of the PSIs. In year 4, $23M was made available; that reflected a commitment of 3% of the total base operating grants. In addition, the ministry found an additional $2.1M, putting the total award for that year slightly above $25M.

Pressure was increasing from the institutions during these years to develop a funding model that would truly reflect increased performance. Indeed, if both of the top research institutions, the University of Alberta and the University of Calgary, had achieved the full performance award in round two, there would not have been enough dollars in the Performance Envelope to support the awards to other deserving institutions; or, conversely, the percentage for the top awards would have decreased to an insignificant amount. Early in the reporting process it became common knowledge that the driver for the award was increased FLE because most institutions performed well on all other indicators used in the Performance Envelope, particularly graduate and employer satisfaction, the two other primary indicators. As was anticipated by many in the system, some of the smaller, rural institutions performed poorly on the selected performance indicators and received only the 1% system award for both years.

The Performance Envelope was to have had a review completed in the fall of 1998, an agreement made between the former minister of AECD and the board chairs of the postsecondary institutions prior to implementation of the two-year Performance Envelope pilot project beginning with the 1996/1997 budget year. In the fall of 1999 stakeholder groups inclusive of the postsecondary institutions, faculty groups, and student associations did receive and respond to the *Performance Envelope Review Survey* document. Key issues were identified from the survey results, and recommendations were made by ministry officials in the May 1999 department discussion document, *Revised*

Performance Envelope Model: A Discussion Paper Prepared for Consultation (AECD, 1999b). These recommendations were not implemented; nor was the funding model revised at that time. Institutions did, though, receive their performance award. In lieu of releasing and acting on the survey recommendations, the new Learning ministry determined that it was timely to review the entire funding model for the postsecondary system.

In 2000, funding for higher education in Alberta came under review by a government-appointed MLA committee that was charged with the responsibility of examining all aspects of the present funding mechanism with the intent of making recommendations to the minister on a revised model. There was considerable sensitivity surrounding this review. The newly appointed Minister of Learning requested the review for the development of the Alberta Learning 2001-2004 Business Plan. The process for review was outlined in the August 2000 *MLA Funding Review Committee August 24 Workshop Discussion Document* (Alberta Learning, 2000b). The primary intent was to look at the distribution of existing financial resources in the system and not at the "adequacy of funding" (p. 1). The funding review was timely and followed a reorganization that amalgamated the former Alberta Education, the province's basic education system, with Alberta Advanced Education and Career Development, the adult learning system.

Included in the MLA review were all the funding sources and the system's various funding mechanisms. It addressed, from the government's perspective, the relative utility of funding envelopes to meet system goals. It allowed the opportunity for the key stakeholder groups—inclusive the of PSIs and faculty and student groups—to put

forward their individual cases, recommendations, and requests for improvement to Alberta's funding mechanism. In February 2001, one-time funding awards were made to several institutions in recognition of historic issues related to equity in funding that these institutions believed were never adequately addressed after the Dupré (1987) study. Other recommendations are currently being reviewed and implemented.

The System Today

How institutions perform is now reported in the government's annual report that includes financial and performance results. Interestingly, the PE dollar amount does not show as an individual line item in the department's budget; it is now buried within a line item titled "envelope funding." The financial reporting structure for Alberta Learning has changed, as have the provincial grants as a percentage of revenue to PSIs. The latter has decreased from 47.5% in 1995/1996 to 44.5% in 1998/1999, whereas other revenue sources, such as tuition fees, have increased from 11.8% in 1995/1996 to 14.1% in 1998/1999. Total provincial grants increased, however, from $765M in 1995/1996 to $863M in 1998/1999 even though the percentage of grant revenue for institutions decreased. The Alberta government's contribution to adult learning increased to over $1B in 2000/2001. That amount includes industry training and apprenticeship. In year 4, 2000/2001, $25M was distributed through the PE.

Since the MLA funding review (Alberta Learning, 2000b), the department has made a commitment to increase the base operating grant by 3% per year. This amount has been earmarked primarily to address inflationary pressures prevalent throughout the system, something that was never intended given the initial iterations of Performance Envelope model. Interviews undertaken during the research strongly suggest that this

amount does not even begin to address the expected long-term inflationary pressures associated with contract settlements and operational expenditures vis-à-vis capital expenditures as two primary areas of concern. The MLA Funding Review Committee recommended that the performance award would now be distributed "based strictly on the achievement of excellence and improvements in performance" (p. 21). The key recommendations related to the performance component stated that

1. a mechanism should exist within the base operating grant to fund enrollment changes and general costs pressures;
2. annual performance awards should be allocated as one-time funding; and
3. Mandate-specific indicators, external benchmarks, and third party performance assessment should also be considered (p. 21).

What evolved from the MLA review (Alberta Learning, 2000b) was a move to focus specifically on performance and to reward performance that supported system-wide goals. The basic tenet of the funding envelopes remained the support of systemwide goals. It remains to be seen whether or not the Performance Envelope in its modified form is far removed from the original Performance Envelope concept—that of providing unrestricted dollars to PSIs based on their performance. That will unfold as they ready for the next iteration of the PBF model.

The funding mechanism is like a two-headed dragon. On one side, institutions that were interviewed welcome reduced government funding and look forward to the time when they are not dependent on government. That is the new reality and was a consistent topic by some presidents involved in this study. They anticipated that the amount of government grants would reduce their involvement as primary "shareholders" and

relegate it to a position reflective of their investment. They see the amount of the performance award as relatively minor and, at the very least, sufficient to cover the costs associated with data collection and submission. On the other side, they know that they continue to be dependent on government revenue and will do whatever it takes to guarantee their funding opportunities from government. Institutions are not yet motivated to plan their future independently, and indeed there will be continued and considerable public policy debate before they reach that point.

Summary

Kerr (2000) asserted that envelope funding in Alberta is fundamentally linked to the government's accountability policy and that the KPIs are the implementation tool. Given the system's experiences during the past seven years, many factors emerged that the present funding mechanism—even in its revised form—appears unable to address properly. These concerns were outlined in the *1999 Minister's Forum on Learning: What We Heard* (Alberta Learning, 2000a). They were relevant during that forum and remain relevant today. They include, but are not limited to,

1. the student tuition fee policy that limits the amount of tuition students pay based on a formula tied to the institution's operating grants;
2. the overall 21% funding decrease which severely impacted all PSIs in the mid-90s and hindered their ability to keep pace with the ever-increasing capital and infrastructure expenditures;
3. the systemwide impact of administrative and learning technology;

4. the advancement of initiatives such as prior learning assessment, credit transfer, accreditation policies, accessibility to learning options, and seamless delivery; and
5. increased numbers and types of business partnerships for curriculum delivery and work experiences.

These and other issues identified by the interviewees during the research continue to surface as problematic, particularly (a) inflationary pressures associated with operations, (b) contract settlements at all levels, (c) retention of quality staff and an ability to attract highly qualified senior personnel. Collectively, these issues will conspire to haunt the department's funding mechanism development.

It was assumed that PSIs manage their educational enterprise in somewhat nontraditional ways, comparing what is happening today to the situation even fewer than 10 years ago. Today they focus more on revenue generation than they had in the past. As Barnetson (1997) argued:

> *By initially acquiescing to the government's performance based funding mechanism, institutions have surrendered a substantial amount of their autonomy in exchange for the return of less than five percent of the funding the government removed from the system between 1995 and 1997.* (p. 10)

In addition to the colleges' surrendering autonomy, the activities taking place within them are different. Revenue generation, fundraising activity, and an external rather than an internal focus represent the changing postsecondary environment. One respondent president indicated that between 60% and 70% of his time is spent externally in anticipation of future revenue generation.

The traditional funding mechanisms that have been employed as the college system developed in the province are challenged to the limit. Equity, although the major

funding issue in the early 1980s and one that the ministry attempted to address through the Dupré (1987) study, does not appear to be a major focus of concern today, particularly since recent adjustments made by the ministry to specific institutions. Dennison (1995) pointed out that Dupré's report is important as a historical document that chronicles the development of the nonuniversity postsecondary system and the "base operating, supplementary enrollment funding, vocational and manpower grants" (p. 27). Postsecondary institutions today acknowledge the historical allocation of funding that supported the early development of the system, but they require that the government recognize that future funding cannot be tied to these historical precedents. The MLA funding review was a start in addressing this issue, and further implementation of its recommendations by the ministry will be seen by PSIs as a move in the right direction.

Dennison (1995) perhaps best captured the challenges facing the college sector in the mid-90s, and his prediction of the future has relevance today:

> *It has become evident that in the future the Department . . . will assume a more direct and responsible role in setting policy for postsecondary institutions in Alberta. If the community colleges are to maintain viability, courageous and creative leadership will be essential to ensure that crucial, albeit controversial, decisions are made regarding matters such as resource allocation and program reorganization.* (p. 32)

Unencumbered revenue opportunities are required to sustain and support growth in the postsecondary sector. The move toward certain envelope funding initiatives such as the Access Fund did provide new dollars, but they were restricted in how they were awarded and externally controlled with respect to reporting mechanisms. Program rationalization did take place in the system; program reorganization is most evident as it relates to the Access Fund. The money received from the performance award, however, was free and unencumbered, as is revenue generated from traditional entrepreneurial

activities such as increased community and continuing education, international education, ancillary services such as food services or facility rental, and fundraising revenue. These are all examples of increased entrepreneurial revenue, or *enterprise revenue* as the ministry officials referred to it in their planning documents. Problematic, however, is that entrepreneurial-driven revenue is not necessarily compatible with institutional teaching and learning goals; nor are the revenues sufficient to expect a reduced role by government in funding PSIs; nor can they be guaranteed into the future.

The research findings strongly suggest that the Performance Envelope impacts decision making in colleges, and autonomy is affected. This is supported by Kerr's (2000) findings that "the KPI project helped the government gain more control over organizational dynamics with postsecondary institutions while appearing to make them more autonomous" (p. 150). By the year 2000 institutions were still feeling the impact of the 21% budget cuts. The annual operating grant was increased by 3%, and that is now embedded and guaranteed into the future. The Performance Funding allocation, the only government source of nonrestricted funds, will become one-time funding and will be tied strictly to performance measures. This was recently embedded in the latest iteration of the department's business planning document, *Postsecondary Institutions Business Plan Guidelines 2001-2005* (Alberta Learning, 2001). How this will unfold has not been determined. The prime thesis of that document is clearly accountability and performance measures. It puts a clear focus on exactly how the department wants the PSIs to submit their business plans. Strategic planning, institutional priorities, and governance continue to be impacted. More specifically, institutional autonomy has been usurped, although there are contrary and conflicting views by some of the interviewees on that point.

Chapter 4 provided a broad historical context that examined the relationship between the federal and provincial governments in Canada related to higher education and the impact of transfer payments on a provincial government's ability to fund programs under provincial jurisdiction. It also presented the development of the Performance Envelope funding in Alberta and the current status of the system related to its funding mechanism. It looked at the system development through both the federal and provincial context. Chapter 5 presents the data analysis.

CHAPTER 5

DATA ANALYSES

Chapter 4 provided the background context relevant to the data analysis. This chapter describes the data analysis as it relates to answering the research question, "How has the Performance Envelope, as applied in Alberta, served as an incentive to colleges to make changes that would support both the colleges' strategic direction and the ministry's objectives of accessibility, quality, and relevance?" The intent of the research was to determine the interviewees' perceptions on that question.

Reflection was given to the data with respect to historic patterns of funding for PSIs in Alberta and the radical shift in budget allocation since the 21% budget rollback announced in 1993. The uniqueness of the college sector within the postsecondary system is described as it relates to its (a) traditional core mission as community colleges, (b) close connection to government programs, and (c) dependence on base operating grants. This chapter is divided into two sections. First, the background on the participants is briefly described. The next section examines the themes that emerged from the data analysis.

Background of the Participants

The primary respondent group included four long-standing college presidents who held that position for at least four years. That timeframe ensured that these presidents participated in the consultation process on a key document related to the general question of this study. The document, *Encouraging Excellence and Rewarding Success in Alberta's Public Adult Learning System: A Proposal for Implementing a Performance*

Based Funding Envelope (AECD, 1996b), reported on the current status of the Performance Envelope (PE) and was the first look at the financial implications of the calculations for their college. Their current academic (VPA) and administrative vice presidents (VPADM) were also included to ensure that the data collected reflected a representation of senior decision makers within the college. Colleges from the north, south, and central regions were chosen representing both urban and rural areas. The president involved in the pilot study was also included in the data analysis. Of the 13 interviewees, 11 were male and 2 were female. The colleges involved had a mixture of experiences with receiving Performance Envelope awards over the years, from those receiving only the system award to those receiving the top progress award.

Each interviewee had been involved in the Alberta system for at least the past six years; the majority had spent their entire senior postsecondary administrative career in Alberta. Of those who spoke to the point, they agreed that Alberta was far better off than its other provincial counterparts with respect to system development. This speaks to the close relationship the colleges continue to have with the department, as was reported in Dennison's (1995) work. Dennison also surmised that the department would eventually work toward achieving "a direct and responsible role in setting policy for postsecondary institutions in Alberta" (p. 32). That was a very telling prediction.

At the time of the interviews the *Report of the MLA Postsecondary Funding Committee* (Alberta Learning, 2001c) had just been released. It was clear that there would be a differentiation between the PE as it had existed and a new, yet undefined PE funding mechanism that would be based on performance only, resulting in a progress award. It was announced that the system award would be replaced with a 3% adjustment to the

base operating grant. Prior to the interviews, it was thought that this could affect the perception of the interviewees and that their responses would reflect the anticipated revisions to the PE. That was not the case. The interview schedule elicited responses that captured their perceptions from implementation of performance-based funding (PBF) to its current status. Although the revised PE was acknowledged in their responses, it provided only a certain level of speculation with respect to the sequence of events that would lead to the development of guidelines for the revised PE. Their speculation proved useful because it related to aspects of the PE that they felt needed to be addressed and thus informed the research.

As the interviews commenced, another factor emerged that could have influenced responses to focus on what is currently unfolding rather than what had transpired during the years encompassed by the study. The department had just provided the PSIs with a new business plan template, *Postsecondary Institution Business Plan Guideline 2001-2005* (Alberta Learning, 2001) and, as was related by one interviewee, a request to make the institutional business plans "fit the guidelines." In most instances the colleges were nearing completion of the business planning process for their upcoming business plan and were somewhat perturbed at the prospect of rewriting what had already been developed. As one president stated:

> *To be completely candid, we received their new business plan guidelines less than 24 hours before we were taking our strategic plan to the board for approval, so . . . it's a little frustrating. To have that happen, in itself, is bad planning.*

This issue is further discussed within one of the themes that emerged. However, the release of this document enhanced rather than detracted from the data-collection process.

It gave specific focus to the question of what influences business planning in PSIs and the role of the department in that process.

Another factor that I believed would affect data collection was the recent series of one-time funding injections resulting from a healthy provincial surplus that went to either infrastructure renewal or equity funding, as two key examples, based on recommendations from the MLA Funding Review Committee. This changed circumstance was kept in context by interviewees as a response by the department to PSIs on their funding requirements generally. Discussion about the funding injections as they related to the Performance Envelope enriched data collection because this was a complete about-face from the generally accepted rules associated with how PSIs received funding. This topic is dealt with more thoroughly within the data analysis.

Every effort was made to accommodate for these unfolding realities in the interview schedule and through probing during the interviews. One final factor that affected data analysis was the web of interrelated funding envelopes that emerged concurrent to the PE and that still exist in one modified form or another, particularly the Access Fund and the Learning Enhancement Envelope. Isolating the PE from other funding initiatives and the 21% budget reduction announced in 1993 became the challenge. Exploration of these other funding initiatives with the interviewees assisted in that effort, but it was clear that the confusion that surrounded the impacts was not only PE related. The research shows that there has been a tacit acceptance by PSIs of funding envelopes as a reality into the future.

Research Themes

Data analysis took place as described in Chapter 3. Intensive analysis surfaced several themes, some anticipated and others unexpected. All enriched the data analysis. Themes related to categories used in the interview schedule and determined from the literature review emerged and included (a) accountability, (b) autonomy, and (c) decision making. Themes that emerged during the data analysis that were direct outcomes of the interviewees' perception of the impact the PE has on decision making in colleges included (a) system restructuring, (b) Performance Envelope implementation, (c) governance, (d) strategic planning, and (e) system reinvestment. These themes were discussed within the conceptual model described in Chapter 2. The model proved to be a useful framework that could be expanded to allow for specific focus on PBF issues. Themes were categorized into three broad areas based on the conceptual model: (a) policy environment, (b) institutional environment, and (c) emergent environment. The categories and themes are presented in Table 5.1; subthemes informing on the topic also emerged and are discussed within the text.

Table 5.1

Research Themes

Category	Themes
Policy environment	▪ System restructuring: the 21% ▪ Performance Envelope implementation
Institutional environment	▪ Governance ▪ Decision making ▪ Strategic planning ▪ Autonomy
Emergent environment	▪ Permanent accountability ▪ System reinvestment

Policy Environment

The singular most devastating budget reduction since the development of the postsecondary sector in the province may appear to have lost its luster in terms of primacy of concern for senior decision makers in the colleges, but it has certainly left its legacy. The impact of the 21% reduction resulting from the government's accountability policy enacted in 1993 is clearly felt today.

System Restructuring: The 21%

The 21% budget reduction was implemented across the public service sector in 1993 and, expectantly, was the impetus to begin a major restructuring process that was driven by fiscal concerns. The 21% emerged as the government's response to the public's demand for both debt reduction and improved accountability for publicly funded institutions. It was not a result of various government departments demanding that the entire public sector needed to streamline and work more effectively. It was a political decision and the various government departments were put in a position to determine how they would respond.

When the 21% reduction was announced, the government did not dictate how the public sector would undertake this task; the reality was that over the next three-year period they would receive 21% less from government. For PSIs, they determined internally what would work best for their institution. This respected institutional autonomy. But, there was one exception imposed on the public sector: The government mandated that 5% of monies for salaries and benefits must be eliminated. This did not respect autonomy and was an early indicator of increased external influence and decreased autonomy; the "invisible hand" began to shape the system while the

government and the department hid behind a façade of respecting autonomy. Interestingly, doctors in the health sector were excluded from that specific reduction, a very political decision and one that spoke to the power base of that particular group vis-à-vis education and other sectors.

The senior management of the colleges was left with the onerous task of pioneering the restructuring process in a time of turmoil and restructuring based on factors out of their control. As several interviewees noted, PSIs were fairly inexperienced at strategic planning processes at that time. It was found that the PSIs' lack of practice in strategic planning allowed the department excessive influence in guiding the colleges during early restructuring.

PSIs began restructuring activities under the auspices of newly created business plans that were now a requirement of the department. As one VPADM related when he described that early experience of creating a business plan, "It did help us, and we had to focus on our strengths." The 21% reduction allowed PSIs the opportunity to make changes that they felt were necessary but believed that they were unable to make prior to this radical funding cut. It appears from this interviewee's comment that not all aspects related to the 21% were unwelcome:

> *I think there is a lot of waste in the system. There was no question that we had programs here that we shouldn't have had. I mean, we couldn't cut back these positions without running into a lot of problems with the faculty association. But we had a 21% cut. Then we had to make the tough decisions; we had a reason.*

It can be concluded that the college relied on the 21% as an external influencer to enact a decision to eliminate programs that would not have happened otherwise due to internal institutional factors. The college's ability to alter the program mix was contingent upon the new PSI environment dictated by the government and enacted

through the 21% funding initiatives. It was found that these changed conditions allowed the college to take this strategic position, on the one hand, but not to assume the full responsibility for the resulting decision, on the other.

It was evident that at the time of initial restructuring the PSIs had minimal experience at implementing reductions. As one president noted, "We only knew how to grow." This sentiment was described by Richardson, Bracco, Callan, and Finney (1999) as *institution building*, a term reflective of a period in higher education when infrastructure and other resources were readily made available with minimal accountability. Remarkably, given the limited experience that PSIs had with strategic planning, they all survived and are all operating today, albeit somewhat differently than they had prior to the 21% budget reduction.

The fact that there was no type of revolt from PSIs regarding the 21%—other than harsh criticism directed at the government primarily—could be attributed to the strong relationship that colleges have had historically with the department. A sense of urgency had been created around funding. After announcement and implementation of the funding cuts, the department soon invited the PSIs to participate in consultation discussions regarding a funding mechanism that would include a performance component that had unrestricted funds attached to it. Although there were many simultaneous challenges facing the PSIs, there was great interest in any funding initiative that would eventually add funds to their coffers. Given the impact of the 21%, working toward new funding initiatives became a powerful attractor for PSIs to fully participate in the process. Simultaneous discussions were occurring on finalizing the KPIs that would be used to

report performance. As one respondent said as he reflected at the sense of chaos at that time:

> *I think once the big cut came, we lost 21% and they put these various envelopes back in. We had to make up the 21% somehow. Every little bit counted. The Performance Envelope counted. The Learning Enhancement Envelope, accessibility funding, . . . all of these things were driving us to get some of the 21% back.*

What was unknown initially was the extent to which these various envelopes would be targeted to meet system goals as opposed to institutional goals and how they would eventually shape system development. Just as the 21% had its own caveat related to salary reductions, each new funding envelope was crafted to reflect a specific system goal that was determined by the department. Several consultations did occur, but there was a general sense that these minimally affected the direction already determined.

Restructuring began, and the so-called and remembered "good times" were over. These good times were described as a period when colleges awaited their annual transfer, kept funding programs that had low enrollments, kept adding infrastructure to accommodate growing demand, and provided salary increases. One interviewee commented, "You see, it didn't make any difference because until we lost the 21%, we had enough in the system. . . . As long as we weren't putting new programs on, we could have existed from here to eternity." Another interviewee commented:

> *That wasn't all bad. . . . We had, in some areas, simply fallen asleep. We were running programs that probably didn't make sense any more. So the minus 21 really required us to focus in on what we do. We reestablished or established our core responsibility, got rid of some things.*

From these statements and other similar ones, it was concluded that the system prior to the 21% had become static, there were no significant plans for growth unless it

was accompanied by government dollars, and there was minimal evidence that the colleges had kept base funded programs current and relevant. The status quo did prevail.

When the good times were examined from the department's vantage point, what they saw resembled a system out of control. The 21% reduction that was imposed by government allowed the department the opportunity to shape the future for the PSIs, a future that would see the system responsive to the economic needs of the province. The goals developed at that time became the hallmark themes of future planning documents and funding initiatives. The 21% became the catalyst for the department to ensure that changes happened within a timeframe that responded to the budgetary restraints now imposed.

It was found that the department adopted a centralized planning philosophy related to the administration of PSIs through the use of its planning mechanisms, but that term was never used. From the PSI's viewpoint, the good times were quickly replaced with the "bad times." As one respondent indicated as he described this period, "We were asked to shave 21%; it became life threatening." For the department, however, this was the beginning of a renewed postsecondary system.

Business Modeling

The renewed system was built on a business model. Business language became the norm in the system, primarily attributed to the business management culture that emerged in government and, consequently, the department. Subsequently, it became the language of the PSIs, as was evidenced by this president's comments that are laden with business terminology as he described the college's reaction to the 21%:

> *Well, you know, we had our largest shareholder reduce their contribution by 21%. . . . What did we do? We did all the same things they did, that industry did. You know, we looked at our core business, . . . defined that or redefined that. . . . We started to ask ourselves questions about effectiveness and efficiency in some of our operations.*

Business plans and related planning documents embraced the principles of business practices and the focus of the planning related to budgetary concerns such as increasing ancillary revenues and cost-recovery programming as opposed to concerns related to teaching and learning. There was a proliferation of process improvement and quality management programs that were adopted in a concerted effort to maximize resources by way of streamlining processes. Along with KPIs, a performance-monitoring tool, evolved the attempt to define benchmarks that would determine how well PSIs stood up when compared to institutions in other jurisdictions. Student recruitment, enrollment management, marketing, public relations, institutional research, and strategic planning all became central functions. Students became inputs and if students completed their program, they were considered outputs. Everything had an associated cost that could be measured with some form of improvement process aligned with it to reduce that cost. PSIs became accountable.

This business philosophy was operationalized in actions undertaken by the colleges. One interviewee described the approach to eliminate programs at his college, and he implicated the PE as one of the contributing factors. This comment summarizes what he felt was beginning to unfold throughout the system at that time:

> *I think we made those decisions and discontinued low-enrollment classes at some point. We may not have done it quite as quickly but the Performance Envelope and the accountability measures certainly helped you, I guess, encouraged us, pushed us to focus on bottom-line realities more quickly.*

PSIs embarked on business planning differently than they had before the 21% cutback. Although there was agreement that the times did perhaps demand a different look at how their institutions were funded and program rationalization, the dimension that inevitably determined the business planning process was fiscal. According to one interviewee, that remains today: "I think the reality of it, . . . that a lot of it is driven by dollars."

Although historical factors played a key role, it was generally acknowledged that the early policy decisions related to the Accountability Act and the 21% budget reduction laid the groundwork for how the department proceeded with developing the performance funding envelope and how institutions responded. There was a consensus among the interviewees that several factors conspired to change the direction of the postsecondary system. That was clearly captured by one interviewee, who commented:

> *Much of this was preceded by accountability, the 21% cutbacks to the postsecondary system, so that there was an increased sensitivity all the way around. If you only had $10 and needs for $15, what $5 worth aren't you going to do? So there was already a pattern of thinking along that line so the Performance Envelope, the accountability expectations, the three-year business plans were all built upon, reinforced by that decision that preceded that.*

There appeared to be a belief prevalent in government that nothing would expose a poorly run organization more than the threat of reduced funding. Fear did permeate the system, and each PSI concentrated to determine the best path for the organization to survive. Fear emerged related to the degree that the external environment could exert control over institutions. This period of time was tumultuous, and the opportunity for survival was seen to be in the leadership of the PSIs as they maneuvered through new territory.

Respondents generally agreed that what was lost with the 21% will not be returned to the system, and the literature supported that. It was found that the related policy implementation actions, specifically targeted funding envelopes, are permanently fixed for the near to long-term future. Respondents overwhelmingly indicated that their colleges remain extremely vulnerable to changes in government policy, a fact that appears to have been embedded within the college culture as an accepted reality. It was found that government policy decisions and subsequent actions by the department continue to be the driving force for system development.

Performance Envelope Implementation

Prior to the department's moving on development of the PBF mechanism, institutional representatives worked with the department to create the original KPI indicators. After a review of the consultation documents related to the initial proposed funding mechanism and in conversation with some of the interviewees, it was clear that there was uncertainty related to how the indicators would be used in the system. At the time of KPI development, accountability was on the horizon; and although there appeared to be strong support to develop indicators even from the institutions, not surprisingly, there was no initial indication of their use as part of a funding mechanism from the department. One interviewee's comments captured the perplexed state that was prevalent during that early period. He said:

> *I think there was a real interest (by individuals), particularly in the early days, and comforted somewhat in the fact that this was never going to drive funding, so I think that allowed a certain openness among people, who thought—I mean, there was a point in time when we weren't even sure this data was going to be shared. So, during the incubation period, I think there was probably more freedom, a willingness to participate. Had everybody known where it was heading, ultimately it might not have happened.*

There was caution expressed at that early juncture regarding KPI development, but the department persisted, and the development of the PBF mechanism was announced. Many in the system could appreciate in retrospect the department's concern for the PSI's ability to meet the demands of reduced funding and projected increased accessibility. For the first time there was a significant shift away from internal control in favour of external involvement by the department. As an interviewee stated, "Up until 1994, grants came in. . . . There was no reason to grow; there was no reason not to grow. Funding was funding. We just got it based on our operation here." The PSIs had become institutionally focused, but what the system demanded was responsiveness to system goals, primarily accountability and accessibility. The department had not formalized discussions on system rationalization, but the PSIs believed that the intent was subsumed within the PBF mechanism.

Rural institutions throughout the province have consistently stated that the PE did not address the different cost structures associated with colleges located in remote areas. Increased costs are based on factors associated with the college's remote locations, with the most obvious costs being the higher cost of living. PSIs in rural Alberta have a smaller population base by which to increase FLE, and that population is spread across a large catchment area. The cost of goods and services is higher, as is the cost of their human resources. Remote communities are unable to increase revenue in ways similar to their urban counterparts in areas such as fundraising and continuing education. The ability to increase FLE growth and generate ancillary revenue is also limited.

At the time the PE was implemented, some rural institutions were already facing funding difficulties. The PE exacerbated the situation. The department initially responded

by differentiating between the rural institutions and the "urban six," but mandate issues remained a concern, as did questions regarding a hidden agenda on the future sustainability of many rural institutions. It was alluded to during some of the interviews that smaller, rural institutions that were already suffering enrollment problems were further adversely affected by the performance funding program. One interviewee said:

> *If suddenly your enrollments turn around and go the wrong way, if the penalty for that is too heavy, you get into that death spiral where reduced funding produces reduced ability to deliver which produces reduced enrollments. If you get into that, you're down the drain pretty fast.*

There was a strong political element associated with development of the PE, and reporting the results of the PBF report card to the public highlighted the inability of some rural institutions to achieve top awards based on the existing criteria. Publicly, they would appear to be a burden on the PSI system, an outcome that could have threatened their very existence. That did not occur, nor have the report card results been released publicly since the first awards were announced.

It was found that the Performance Envelope is burdensome to smaller, rural PSIs, and it indeed hinders their ability to improve performance relative to the guiding principles underlying how the award is structured. Of concern to these institutions was the impact on the base operating grant if they did not achieve the award. As one interviewee suggested as he pondered what a revised PE could look like:

> *Performance funding . . . needs to be significant enough to truly support and encourage risk taking, and it's not there at this stage of the game. And, in fact, it also needs to be significant enough to discourage risk taking—both sides of that coin. And when I say that, there are some organizations who shouldn't necessarily be playing. . . . Maybe there should be some consideration for them not to be part of performance funding.*

Comments by interviewees on the implementation and indeed the impact of the PE are many and varied, but they do have a consistent theme. It was found that concurrent implementation of the various funding initiatives made it difficult to specifically assign outcomes to actions that would be considered to be caused solely by the PE. This perhaps explains why assessment of the impact of the PE on their individual colleges was difficult for the interviewees to convey without making reference to other initiatives. When asked if he believed that the PE impacted his college, one president stated:

> *I don't think it's affected us at all. Not at all. I think it's forced us all to recognize that we are part of a larger system. . . . It's helped us understand how much of our total budget is government or other sources, so differentiating the sources for our revenue has been part of the . . . the macro look at our revenues. But, I mean, I don't think it's affected a thing.*

There is a lack of evidence from other respondents that verifies that this opinion was prevalent among the senior executives. There was a propensity among the interviewees to refer to one or another of the funding initiatives in their response to the question. Their inability to pinpoint exact actions resulting from the PE implementation was attributed to the complexity and connectivity of the various funding initiatives.

There were contrary opinions to the previous president's comment. One VPADM clearly captured the diversity of several respondent's thoughts. He noted:

> *In retrospect, I think we're a far better system now than we were in 1992/1993. I think we're a lot more focused, I think we've gotten over a lot of our mandate confusion, and I think we pay attention to the numbers. I think . . . probably what drove that was this whole KPI performance funding thing.*

Additional responses ranged across the full spectrum. Another VPA stated, "The PE is an instrument that reflects a policy and culture of the day. In this institution we tune into policy and we tune into the culture of postsecondary education in Alberta."

The remaining interviewees pondered the direct PE impact, and each suggested that, although there was an impact, it was difficult to isolate it from other funding initiatives. The following comment by another president encompasses what the majority of the interviewees conveyed, and it encapsulates the general uncertainty on this point:

> *It's hard for me to distinguish between what's driven by the enrollment, the financial cut, and what's driven by PFE [Performance Funding Envelope]. Program initiation is more PFE-driven, although if we'd be doing it without PFE, we might not be doing as much. That's very important. Student recruitment is PFE driven. Although it's driven, we would be emphasizing it without PFE.*

What is interesting about this confusion is simply how powerful it became in allowing the department to achieve its objectives associated with the goals for the system. The competing funding initiatives and the rhetoric on outcomes literally steered institutional activity under the guise of autonomy. There was an apparent connectivity from one funding initiative to another that made the impact of one initiative indiscernible from the other.

The times were chaotic, and funding and accessibility issues loomed large. There was no time for institutions to pinpoint which initiative could be attributed to the resulting changes happening in the college and within the system. What would be important for PSIs to determine is whether it was the department guiding their actions through the funding initiatives or whether the initiatives were those that the PSIs were planning to undertake based on their mandate and vision for their college's future.

Institutional memories could be seen as revisionist or possibly reflective of the times in which they found themselves.

It was found that the PE did have an impact on the college sector. There was sufficient reasoned evidence expressed during the interviews to support that contention even when keeping it in perspective with the other funding initiatives such as the Access Fund and the 21% budget reduction. There was also confirmation that the impact was primarily in areas related to (a) FLE growth, (b) award dollars, and (c) public relations. Comments on the first three follow; comments on changed processes are discussed within the section on decision making.

Growth

Interviewees generally indicated that FLE growth was related to the PE. "We are certainly more conscious now of enrollment growth because of the PE. Obviously if you don't meet your enrollment corridor and stay within it, you don't get the PE funding." As noted in earlier chapters, increased FLE is the key factor in receiving top awards. That factor alone affected the institutions. But some saw the increased FLEs, the PE driver, as an institutional goal as well as a department goal. One stated:

> *I'm not sure that it caused us to do things differently . . . because of the congruency between the issues at the department level and the issues at this institution anyway. We were never diverging or converging; we were going in the same direction.*

Another interviewee related an example of enrollment growth and whether or not that could be attributed to the Performance Envelope if you were to look at the example in isolation. He felt strongly that there were other factors driving those decisions to increase FLE, but he also admitted, "Yes, it has had an effect on decision making in

certain areas." The other factors included implementation of the Access Fund that married FLE growth with targeted dollars to support that growth. Over time this impacted the program mix, and institutions undertook some program rationalization. As one interviewee stated:

> *Enrollment is definitely related to funding, and if you look at the KPIs, the only significant one you really have to worry about is how many students do you have. And, as you mentioned, growth, but as you look at how capital dollars are related directly to how many students you have on campus. So I would be probably lying to you to say that it's not important. It's very important, I think, because all of the new funding is related to how many students are served.*

What has evolved over the years with the Access Fund is increased recognition of the full institutional cost of bringing new programs on stream. As one VPADM noted:

> *It's probably the first funding mechanism we've seen that recognizes that there are operating dollars required for delivery, operating required for ongoing facilities and support services and one-time money required to cover the cost. And they are, frankly, very reasonable. They seem to be very well based in the true cost to institutions.*

Similar to other targeted programs generally, one VPADM indicated Access tended to be "flavour of the month" programming. However, these are highly sought after dollars for all of the colleges. New program development initiatives lead to Access program submissions to the department that are cranked out regularly to attract these dollars. Again, this was seen as another way to return money to the system and a method for system restructuring. This brings into question such issues as quality related to program rationalization, program mix, and curriculum development as major decision areas impacted by the quest for this targeted funding.

Award Dollars

When the department developed the PBF strategic framework, it was determined that successful implementation would be partially based on the award dollars allocated to institutions. Over time, and as more PSIs achieved the top award, the luster faded somewhat. For the award to remain a pure motivator, one interviewee stated that the department should "attach more dollars to it." Data suggest that the dollars are not as motivating, but yet they are viewed by most of the interviewees as still important. One interviewee spoke to that issue. He said, "Well, I think we are more accountable, but I think it is only because we want to get the money. You know, to be honest with you, we want the recognition, and we want to get the maximum award."

To date, PSI's funding relative to the previous provincial grant has admittedly not even come close to where it had been prior to the 21% system cutback. It was agreed that the combined amount that has been returned through the PE and other funding initiatives is insignificant when compared to what was lost. As one president commented on the impact of the PE award dollars, "It is not a lot of funding; . . . we have a complaint there." It was found that the combined targeted envelopes do not provide relief for the ongoing inflationary pressures that impact each college.

Several interviewees argued that implementing the PE and other targeted funding initiatives was a method to ensure that money was put back into the system. As one VPA suggested, "I think it was the only, or one of the only sources of increasing our annual grant." Another made a similar comment: "I think the funding envelopes were ways to help put money back into the system, but they were targeted based on some criteria or

qualifying features." These criteria and qualifying features have been under the microscope since the PE inception.

One president suggested that the dollar amount, albeit small relative to all other funding factors, would, over time, have a positive impact on the system. He stated:

> *If you maintain the performance funding envelope for 20 years in Alberta, you look at the amounts of money that are involved and you realize that it is compounded money over time, you will find that it will, very subtly, very quietly, it will have restructured the postsecondary system in Alberta.*

Given other comments regarding the minimal amount of PE funding to colleges versus the cost of the initiative, it is difficult to believe that the system would restructure based on the amount of Performance Envelope funding dollars alone. Other factors came into play.

Initially, reporting the result of the PBF report card to the public highlighted the inability of institutions to achieve top awards based on the criteria; hence it seems that they were a burden on the PSI system. It was quietly determined by some as an attempt by the department to make the system question the cost of sustaining these colleges because there was little fortitude within government to make politically charged changes directed at PSIs. This premise probably did not escape the college boards. It was suggested when the PE was first announced that there was a strong political element to this initiative. Over time and without considered support to make significant changes to the number of PSIs in the system, the speculation was quelled.

It was found that the PE did not address costs that varied significantly depending on mandate and geographic location of the colleges. That was clear in submissions made to the MLA Funding Review Committee. It did find, however, that after year one rural colleges made considered efforts to become top performers based on the criteria specified

by the reporting mechanism. This was a direct PE outcome for these institutions. One college stated that they had moved away from college-determined goals to accommodate the PE and to receive the award.

It was found that the PE funding, albeit relatively a small amount, was seen as important to the colleges. One president stated, "The money, in some way, whether it is done through performance or another method, is important, is critical for the organization, . . . all of the public institutions." It was found that the PE in combination with other targeted envelopes and new sources of revenue generation have had an impact on decision making related to restructuring activities.

Public Relations

There was no doubt that many of the respondents credited the public relations factor with being a key PE motivator. One interviewee described the impact associated with not receiving the award and noted, "The first year it came out, we didn't make it; the enrollment didn't grow; . . . therefore we lost any performance funding. It wasn't a lot of money, but it was more the pride that we were not one of the 'have' colleges." Another commented that,

> *for institutions like ourselves, it costs a lot of money to generate the data which underlie the KPIs, which underlie the performance funding. So what is our net gain? It's not large, . . . but remember that it is not just the financial reward, the PFE. It is the endorsement and the relative ranking.*

As has been shown, the PBF award was important but certainly was not the primary motivator to ensure that the PSIs embraced the system goals. It was evident to all the PSIs that what quickly emerged as a key motivator was the public relations value associated with being a top performer, as the previous comments supported. One

VPADM suspected that the true purpose of the PE was not so much in the award but was always in the public relations value. He commented:

> *I don't think it's ever been the money. They've done some really odd things, . . . and I keep wondering at them. In retrospect I keep marveling at whoever's pulling the macroeconomic strings because he or she is one very bright bunny. They are able to focus a lot of attention with very little money. Somebody is really quite brilliant. And they've managed to do it almost through the political/public relations bragging rights or bragging worries aspect of things. No president wants to go to the council presidents and find out that he's 15th out of 17 on a report card. And so presidential people and board chair people being what they are, that tends to drive the bus a long ways.*

Accordingly, a little did go a long way, and negative public relations was something that PSIs did not want to risk within their communities, their college, their board, or the system.

All these comments highlight an important feature of the PBF mechanism and the impact it has had on colleges. The general public was now accustomed to educational institutions being compared with one another primarily due to the public rankings that were commonly released through publications such as *McLean's* that were released annually. The decision by the department to publicly release the results was delivered under the guise of accountability and in keeping with the now familiar open and public reporting of results by the government through its annual report and the ministries' business plans. Accountability was political: It became important for the PSIs to be seen within their community as being a top performer. As one VPADM stated:

> *The whole issue of bragging rights and, you know, the public relations aspect of it is important too. I think in the early days when there really wasn't enough money in it to nudge the—you know, a canoe trying to nudge the Queen Mary, it was the public relations bragging rights that drove the system. I think that now gradually as they've been able to work a little more money into it, it's having some payoff.*

It was found that the department and the colleges were both beneficiaries of improved public relations. The department has annually reported that the PSI system was meeting the goals defined for the department in consultation with the PSIs. It had been suggested that decisions related to the department's business plan goals were already made prior to the consultations. That tactic is viewed rather cynically given that the ministry defined the accountability measures and chose those that would be used in reporting. The decision to use specific indicators is determined by the department, and that remains a contentious issue.

It was found that the institutions view the department as trying to help them by putting money back into the system through targeted envelopes; however, it is too little too late, too noncommittal to build for the future. As captured by one respondent who commented on the role of the department, "They may be becoming more conservative, relatively, simply because they don't want to make a wrong decision politically, so they try not to make a decision at all. Or they delay it until such time that the future is now." Another alluded to a possible desire by the department to fundamentally control how institutions operate. He suggested that the way that the department implements the PE does not instill confidence regarding funding stability. He said, "You claw all this back. 'Now that we've given some of this back to you—but we can't very well give it back to you across the board—we're going to target it because we want to take over control, more control of the institutions.'"

Institutional Environment

In some respects the PE implementation cycle has reached maturity based on the comments and concerns expressed by the interviewees. It should be recognized that all the funding initiatives implemented since the mid 1990s have been with an aim to prepare the system for growth, and there was a flurry of activity that accompanied that objective. The accountability policy surrounding implementation no longer has a sense of urgency associated with it; institutions seem to have 'got it.' All have increased FLEs with which to contend, new programs, a focus on service and values related to department goals, and a funding structure that is not sustainable into the future.

Governance

> *I think at the end of the day, we are always a board-governed institution. I think at the end of the day the department sometimes forgets that we are not provincially administered institutions. (VPADM)*

Central to the college system in Alberta is their status as board-governed institutions. Community colleges, more so than any other sector of the PSI system in Alberta, are linked to the communities they serve and are unwaveringly responsive to those communities. Collectively, they offer a full range of programs, from academic upgrading and the trades to university transfer. Boards are levied tremendous responsibility as their governing body. As stated on the department's website, college's governing boards are responsible to (a) determine general policies respecting the management of the institution; (b) construct, improve, and furnish buildings; (c) appoint the president of the institution; (d) acquire land; (e) invest money; (f) determine tuition fees, in accordance with government policy and tuition fee regulations; and (g) set other

fees. Boards are comprised of a minimum of seven public appointees, and from these, one who will be named as the chairman. It also includes one academic staff member, one nonacademic staff member, one student nominated from the student council, and the president of the college. Others can be recommended by the minister to sit on the board.

The governing board is primarily responsible to set policy. Given that, I suspected that there would be an impact on governance and decision making based on the changed circumstances in funding associated with the Performance Envelope. As one president observed when discussing the role of the board and decision making as it related to the PE:

> *I would suggest there is probably increased sensitivity, and for those that are operating at the policy level, you would probably want to make sure that your institution was optimizing its planning to match the resource allocation capacity that they would potentially qualify for.*

A VPADM stated:

> *Now, the board looks very much at the department's goals and objectives. And to some extent the president and his executive committee tend to look at the boards, but at the end of the day, we have a coming together, and we sort of compare notes.*

Although the interaction of the board with the department is determined by the governance structure, it is in their best interest to ensure that their management team positions itself to garner whatever monies it can from government coffers.

Without exception, each college follows the same specific policy governance model. Some colleges have more experience with the model than others, but each touts it as helpful and appropriate for its institution. As one VPADM responded as he described their college's adherence to this take on governance:

> *The model, in its simplest form, is talking about a very significant distinction between the strategic and the tactical. The board stays at the strategic level, the longer term planning, and leaves the day-to-day planning to the administration. So nobody is going to see inside this budget deeper than the department level. They are not going to see an individual program.*

One president simply stated: "We use a [policy] model, and they [the board] are not into the minutia. They don't know how many light bulbs we have out, nor do they care."

Board governance was not a topic on which any one of the respondents dwelled. I sensed in most instances that the interviewees felt that the boards were doing exactly what was expected of them as a policy board and that there was a recognition that both the board and the management team were working in parallel for the benefit of the college. The board has its role; management has another role. This is clearly evident in the following VPADM's comments:

> *What made it easier in some ways is that they [the board] don't try to pick apart the performance funding envelope. They look at it from the strategic aspect and see what it's trying to do and look at the government's four or five major issues. [They] don't try and get inside the tactical impact. They are willing to look at it strategically. And most of the pronouncements that we've got have been at the strategic level. The department doesn't come to us and say, "This is how you're going to implement this and that." Again, we kind of match up there. They are not pitching something that our board doesn't want to catch.*

During the discussion on governance, one president commented that board chairmen worked collectively as a group on system issues. This impacted how they responded to the department's funding initiatives:

> *Our board right now, I guess, is more political than it's been in the years I've been here. It may be the individuals that are on the board, or it may be just the climate that we're in. But at the board chair level they have come together as a group much more strongly. To be sure, the government knows what their concerns are, and they will work with them to help them work on them, but they're not prepared to just sit back and wait. So they are much more proactive at a system level than they've been.*

Because of the way that the board is structured and the fact that board members are appointed by the government, their priorities are put into question. Certainly they have concern over the success of their respective colleges, but they face a certain reality. A balance is required between the board's responsibility to the college and its responsibility to the government and, ultimately, to the public.

Recognizing that presidents are members of their college's governing board, you would expect that they would also come together as a united front to represent their sector. According to the above president, that is not the case. The previous president continued with his discussion on board chairmen and provided an interesting comment regarding how college presidents interact. He stated, "The presidents still can't get their acts together (collectively), but the board chairs are doing a better job." This last statement is extremely informing and speaks to the competitive arena in which PSI presidents work. Although system collaboration is an accepted goal, it is not rewarded in performance funding. No one PSI player is in agreement as to how collaboration could be rewarded given the competitive nature associated with increased FLEs. "Coopetition" was a word tossed around when the PE was first announced. At that time there was a considerable effort to put forward joint programs and technology initiatives encouraged by targeting the funds for such endeavors. Problems arose concerning FLE count and which institution received credit for those. Disagreements with the department emerged; there has been decreased interest in pursuing joint ventures given the unresolved issues.

How well each of the college boards adheres to the policy model could well be another research study. What was gleaned from the respondents on the question of whether institutional governance impacted decision making was that the policy

governance model ensured that once decisions were made at the board level, the processes required to operationalize those remained with management. However, boards have become more attentive to the externally driven directives from government and how those translate into action. One VPA described the board's involvement in decision making and how that has impacted them internally. He said:

> *Our board was never overly directive in terms of those major directions, but in the last two or three or four years they have become more so. I think a lot of it is not at their initiation either. I think a lot of it is initiated internally, that we need a strong statement about these things to provide guidance . . . and leadership to what we're doing. So I think the boards have been encouraged to change what they're doing, the kind of direction that they're providing.*

It appears as though the tough changes surrounding college direction needed to be translated into a clear direction from the board for the senior executive to communicate that internally as a fait accompli. These directives and the board's support allow the management team to move forward with implementing college initiatives that reflect strained funding and involve faculty and programs.

The question remains as to whether autonomy is impacted as the board entertains strategic positioning initiatives for the colleges based on their mandates and vision of the future. What was central to understand is how they are impacted by the ministry's goals. One VPA saw a changing role for the board as it related to the ministry:

> *I think there's a recognition on the part of the board lately that government relations is a very important thing. And maybe the board or some members of the board, the president and maybe the chairman of the board, have a role to play with the deputy minister and the minister.*

The performance report card and the resulting performance award are viewed as operational issues by senior management teams, and, consistently, each college reported the results to its board. Primarily, that has become the extent of their involvement in the

process. One president summed up the experience at his college, and I inferred that it includes the other colleges:

> *We have pretty good reports, and so I bring it to the board's attention simply because it sounds good in a public meeting to say, "Oh, you know, over 90% of our students are satisfied; over 90% of our students got jobs; our enrolment has gone up yet again for the fourth or fifth year in a row; administratively we are in the top quartile; as far as our expenditures and entrepreneurial revenue is, top." You know, I report all those things. Well, that is as much as they know about the Performance Envelope, as much as they care.*

From the board's point of view it makes sense to plan strategically at the policy level. At this point in the implementation cycle, it was found that PE does not have the same impact on the board that it had when the PE was originally introduced. At that time boards and their institutions were trying to determine how it would affect their organization. From various comments it was determined that the composition of boards has changed. There is a strong sense that the boards today are perhaps more political than they have been in the past. Their key role is to provide governance to a publicly funded institution that is clearly based on principles of public accountability. One only has to be reminded that the majority of board members and the chairman of the board are appointed by the minister.

The Minister must ensure that the PSIs comply with changes originated by his department. Institutional autonomy is impacted if, as had been suggested, the boards are more political than they had been in the past, but that is broader than the PE. It is suspected that the boards were intimately involved as a policy group beyond signing letters accompanying consultation documents when the PBF mechanism was announced and during the early implementation phase. It was found that the board currently provides high-level strategic decision making, and it does not impact implementation activities

associated with operationalizing the PE. Those decisions are confined primarily to the senior executive and senior managerial levels within the college.

Decision Making

Increasingly, executives in the postsecondary system, in particular the presidents, have taken on the sometimes enormous pressure of leading the organization through times of turmoil, changes, and fiscal reductions. To do that they must ensure that they have both the human and infrastructure resources, and they need to make decisions that reflect how they are best able to utilize these resources depending on their circumstances. The decision making in these colleges are impacted by (a) the decision-making process, (b) the values inherent in the PE model, and (c) the changed processes or outcomes associated with the PE implementation.

The Process

Without exception, each college described its decision-making process as an exercise in collegiality. This was confirmed by direct statements but was most evident in the several descriptions I received of making the individuals most impacted by the decisions central in making them. As one VPA noted, "We're trying as much as possible to push the decision making down into the organization." All colleges related similar sentiments and most often followed them up with examples of the number and type of committees that had decision-making authority in specific areas, primarily decisions related to the academe. However, there were statements that would seem contradictory to a collegial decision-making process.

As previously discussed under the governance section, senior management made decisions that required them to receive support and direction from their boards in order to

operationalize the decisions. Those decisions were seen as political, undertaken at the policy level, and often made purely based on fiscal concerns and for reasons of institutional survival. Interviewees did not indicate that they had received resistance from college staff given some of the major restructuring that took place based on those decisions.

Decision making at these colleges does give the impression of being collegial. The colleges use focus groups to gather input for major decisions to ensure that they are seen as involving the affected communities by soliciting their input. As one president commented, "Obviously, the strategic plan gives you the framework for decision making that's been done with industry and community focus groups including all stakeholders. . . . So they're involved in various layers of our strategic planning, but also in decision making." I sensed that this unfolded similarly to the way that the department conducts its consultation processes. Whether these executives then make decisions based on the outcomes of those focus groups and other structured information-gathering opportunities that will ultimately be used in decisions to determine the future strategic direction of the college is basically unknown. That is reflective of the department's consultation process: They solicit, collect, but it is uncertain of how or if this information is used in their decision making.

It was found that the colleges seek a collegial process but understand that many of the decisions that are made are made for purely political or practicable reasons. One president described the factors that affect decision making in his organization, which were common to the other colleges as well. He noted:

> *I think where we're trying to move the decision making to the appropriate level, it comes equipped with a whole bunch of other circumstances. The limiters or the parameters are often resources, time, and does it meet with our strategic direction? . . . Most decisions, real true decisions, do have an implication to the long-term well-being of the institution even though they appear to be tactical.*

Another president pondered a while before he commented on the impact that he believed the PE has on decision making: "We tend . . . not to have a rule book or say, 'Here are the performance indicators and the performance funding envelope, and here are the decisions we have to make.' We don't draw a matrix like that." On the decision-making process itself, another president commented that "I don't think decision making, the processes, have changed. Maybe some of the decisions we make are influenced by the Performance Envelope program."

How much of an impact the PE directly has on decision making can be qualified only when you examine it in concert with the general operations grant and other funding envelopes. The PE is a microcosm of the entire funding issue, as was already determined. One VPADM captured his college's experience with decision making as it related to the problems associated with the funding instability experienced in the system. He noted:

> *We will get far better decision making and be able to handle far more students, in my opinion, if we know what's going to come our way in the next three years. . . . The financial situation is that now as a province they, as much as anybody, should know what the future would hold. They can influence the future relatively well, and they have got to be able to say to us, "Okay, the funding in the next three years will be at this level." As it is now, there's a great hesitancy to give us anything until the very last moment for fear of giving us the wrong number.*

He did not believe that funding stability is part of the government's long-term strategy for political reasons. He was frustrated that the department—to whom the college turns for direction on something as basic as providing a confidence level associated with expected

funding—is unable to do that. Given this point in the PE and other funding initiatives' implementation cycle, one can empathize with his assessment.

Values

The Performance Envelope enabled the department to introduce a mechanism that they intended would be focused on outcomes, not inputs. One president elaborated on what he saw as important to understand regarding this particular mechanism and how it was bounded. He spoke on the value inherent in the PE and understanding that it was these values that actually impacted decision making. He stated:

> *The Performance Envelope values certain things and it rewards certain things. And so our decision making is more closely aligned to things that the performance funding envelope values, whether it's a curriculum decision or a budgetary decision. Perhaps it shows up more in budget decisions. You know, the performance funding envelope values enrolment growth, weighs that very, very heavily. It rewards revenue generation. It values revenue generation and rewards it. It values administrative cost control. It values student satisfaction. It values graduate follow-up success. Now, graduate follow-up success is, in part, determined by curriculum quality, instructional quality, so if we're revising our curriculum to make it more relevant to the students' work experience, then it should show up a couple years down the road in the performance funding envelope because they take the curriculum, they graduate, they get jobs, you do follow-up interviews, then it gets reported in a graduate follow-up study, which gets reported in the next KPI data and performance funding. So it's a very long process.*

There appears to be a strong correlation between the values that he saw subsumed in the PE and the values inherent in the system goals. There is a great deal of rhetoric obvious in the department's planning documents that do envelop these values. The rhetoric has become so strong, the pronouncements related to these values so repeated, that it is difficult to distinguish between the department's actions and the college's actions. To support that contention, the previous president further related that the college has had compatible values to the department; these values have been determined by

stakeholder groups in concert with college staff, and they test them against decisions that they make.

One VPADM commented that understanding and complying with the underlying values of the PE were to the college's advantage if they ended up performing well on indicators because of decisions that they made related to the underlying values of the PE. He viewed the values and the goals of the department and the college as compatible and was not interested in who arrived at them first. He used the "chicken and egg" analogy to explain that there is little point in looking to assign credit for the decision if indeed both organizations were intending to move in the same direction. What he believed was key, however, related to how decision making was undertaken for the sector; it must be consistent both in action and in how the message is delivered. "I think it's more of a case of, it gave us a language and a vernacular that we use internally and amongst ourselves as institutions." Or it allowed for direct influence. It was found that the values subsumed in the PE were those supported by both PSIs and the department.

Changed Processes

Because of the rapidly changing nature of the funding environment, the performance award has been credited with changed processes at PSIs. It was not difficult isolating several specific examples of changed processes that could be directly linked to the PE. It was found that (a) data-collection processes, (b) student recruitment, (c) student services, and (d) institutional research were the primary areas of evident change. Another change that has occurred at each institution is the outsourcing of key institutional components such as maintenance staff, cafeterias, and other ancillary operations. These

changes may not be directly linked to the PE, but given the focus of the PE, there is little reward associated with incurring these activities in the future.

Perhaps the most visible and initial change attributed to the PBF initiative was the resources required at the institutional level to collect and report on the data. Initially, this was a cause for concern expressed by each college interviewee. As one commented:

> *In fact, at one point we really debated not even bothering with it because we hired two full-time people just to be able to do our reporting to it. So if you took those costs against what we get, we don't get very much.*

But the costs are not confined to only one or two positions within the college. Data collection permeated all levels at the college and was instrumental in having sharp questions asked by administration and faculty alike. Concurrently, institutional representatives were working with the government to clarify KPI definitions. Issues of fairness arose, as did questions regarding the accuracy of reported data. Remnants of those early discussions still persist. Without exception, each college made the human and system investment that was required to provide the data. This was undertaken primarily in the institutional research area. Some interviewees rationalized the investment, stating that the investment in institutional relations is now part of their long-term strategic development plan because it relates to enrollment-management activities.

Among the other notable changes are enhanced and broadened student-recruitment initiatives that would ensure the ever-important FLE count. In today's environment a recruitment strategy is central to attract qualified prospective students into traditional programs, but also to market new and unique programs that may be specific to one college in the province. One president discussed this new aspect of enrollment management: "We are all competing with each other. It will be interesting to see how all

of that settles down. But certainly we are competing for students because if we don't get them, that's 30% of our report card." This suggests strong incentive to strive to meet those targets contained in the PE, and with that incentive will follow programs to support that goal.

The student services area has also been impacted as a result of the PE. Two other indicators that are key to the PE are student satisfaction and student placement. The recent focus on student services is reminiscent of the early 1970s when the student movement at universities and colleges was at it peak. The focus is certainly there, but the environment is radically different. Today's students carry an additional financial burden associated with their education, and the cost of tuition has put college education beyond the means of many students. The students who are in the system are more demanding generally in areas where they traditionally were accepting of institutional decisions. They require greater support services than they had previously. There is the changing face of today's students: They are generally older, there is a diverse ethnic mix, the gender mix has slightly more females than males, and their economic situation often requires that they work while attending school; therefore, students are clearly demanding more and better services from the colleges. The fact that students need to be tracked into the workplace requires a responsibility that reaches beyond the traditional expectation that PSIs have of their students. The usual debates on timing and situation surrounding the collection of satisfaction surveys have become multifaceted, with no clear resolution in sight. As one VPADM recalled:

> *In Student Services there is a greater sensitivity to investing those resources in that area based on the student satisfaction and obviously being measured on the number of students served. There is also more pressure on investing resources in improvement, retention, and those kinds of things, so it really changed.*

Another VPADM commented that

> *we are probably putting a little bit more emphasis on student satisfaction right up front, making sure our students are very relevant to the recruitment market and making sure that they are as employable as possible. So I think we are doing some positive things there. That's not to say we might not have done them otherwise.*

Part of the difficulty with the PE from a traditional operations perspective is in understanding in which other ways one can use the data that are collected and also the new institutional data that can be so easily generated. It was no longer sufficient to just collect data. An opportunity was now being provided to identify trends at the college and at the program level. In discussions with a senior individual in the department shortly after its reorganization in 1999, he commented that the department generally had gone overboard in the amount and type of data that they collected from institutions. They had developed a phenomenal ability to drill down into institutional data, but the necessity to have that capability was being questioned as a response to the investment that they would need to put into redesigning their information-systems section after the amalgamation. This individual realized they collected far too much data and pondered how necessary it was to have the data if it was not being used for purposes related to the PE. PSIs would agree.

Data were used within institutions in two ways: first as a way to learn what they needed to focus on to meet department goals, and second as a way to make internal institutional decisions. As one VPA noted:

> *If the government were using it [the data] to rate us, then we needed to be aware of what was in that data that would impact on things we should change, that we should highlight, that maybe needed us to set some goals specific to improving our performance.*

Whether that was the department's intent, to assist PSIs in their decision-making processes, can only be speculated on. But what emerged, as noted by one senior academic officer, was the realization of the market value of the data. Another VPA commented similarly when he related an example vis-à-vis enrollment growth. He stated, "When you face the realities that that number has to be sustained, then you work on some longer-term strategies which are reasoned and thought through."

What was beginning to unfold within some PSIs was expertise and a willingness to use their own institutional data collected for the department to make objective decisions for the college. Colleges wanted to be in better control of any process that had an impact on them, even if the processes are driven externally. They are now beginning to use PE data for other than their intended purpose. As one respondent noted:

> *We don't necessarily agree with all the measures, but rather we're collecting that data more on an ongoing basis to make sure we are doing a proper environmental scanning, a proper evaluation of how we are doing relative to our direction; and as a result of that, we are probably doing a little bit better job of decision making.*

It was found that decision making is impacted by the type and use of data collected and used in the scorecard.

Decision-making models for resource-dependent organizations such as colleges recognize the complementary role that the department has with the college and vice versa. This fact was commented on by several of the interviewees: "Government is probably doing a better job than it's done in the past, sitting, stating its power. I think the political process drives decisions more so than bureaucratic processes in recent times." The following statement by a VPA basically summed up his feelings on how he viewed the government versus the department: "The PE was a department initiative, but the accountability policy was the driver." He commented on his perception of decision

making since the PE: "Maybe it's changed our behaviour more than anything else." One president commented on decision making: "We are no longer as independent as we once were; now we respond to different needs." This was an informing comment. It was found that decision making has been impacted by the PE and that colleges have lost some autonomy related to decision making. It was also found that colleges now use data generated for the PE to create other data that are used to provide objective information for internal college decisions.

Strategic Planning

> *We realized we had to get our plans in place to go after the province to get more funding. Our plans were to grow. . . . We put our plans in place, and now all of a sudden this money came to us. Because we had our plans in the mix, we got the funding. (VPA)*

Today a formal planning process exists within each college interviewed. It is a fairly streamlined process, one developed within the general framework of the department's business plan. Three-year business plans were relatively new to PSIs when it was first announced that institutions were to submit them with their annual budget requests. Some form of business planning had occurred prior to this, but most interviewees admitted that the planning process was not at the level or to the detail of the plans they now prepare. One president described how the planning process evolved at his college:

> *Historically, business plans—we weren't very good at it. Again it was that arrogance that if we were good, the government, they would continue to give us the money. Never was there any hint, rumour, or thought that the money would not continue to come. When we put together a strategic plan three years ago, the first one we put together took a long, long time; and that strategic plan, again, was roughly new.*

He commented that their strategic planning processes have improved dramatically, and the involvement of stakeholders in that process has broadened to include the community and advisory groups. All colleges agreed that their strategic planning was more focused, had a longer-term horizon, identified required resources, dealt with issues impacting their specific college, and laid out implementation timelines. They all followed the basic guidelines provided by the department. Interestingly, two college VPADMs commented that the department had indicated that their latest business plans were perhaps the best in the province. That was a point of pride for the colleges. Both of these colleges followed the department's lead as they assessed the PSI environment. Clearly, they took their clues from government in the hope that government would include their college in their planning equation. As one stated, "We do read the provincial plan, but we also sometimes get some inspiration from what's being said provincially, what they are trying to achieve. We keep saying we want to be an important part of that, so just give us the resources and we'll do it." From this statement it seemed quite obvious that the college clearly followed the department's lead as opposed to any institutionally driven mandate as they developed their strategic plan.

What was most informing is how closely tied the strategic planning process is to the need for increased financial assistance. The majority of the interviewees emphasized that dwindling resources and their monetary instability due to a lack of long-term commitment of resources to the PSIs did shape how they planned and impacted the choices they made in planning. Having vague commitments from the department is not a strong incentive and does not elicit confidence in the PSIs to vary too much off course with respect to how the department envisions the system. This fact was not seen as

problematic to some of the interviewees. As one VPADM explained, he did not believe that the departmental goals are inhibiting their planning or their success in garnering resources. He saw the department's goals and the college's goals as converging, but he was somewhat cautionary on governance issues. He stated:

> *I think that one of the things that really is true is that we've never felt that there is a conflict between what the department was asking us to do and what we were trying to get done. I think there are times when they forget we are board governed. . . . I don't think there's ever been a divergence in their trying to lead the system one way and us another. I think we've always bought into the upper level strategic end of it.*

There is a tendency, however, due to restricted resources and the department's business plan goals, particularly as they relate to growth, to build the strategic plan around whatever carrot is placed in front of you. As one interviewee said:

> *First, we were doing IT (information technology) things. Then the next year, we were doing health things. Well, that's fine, if IT is what you need that year and health is what you need next. So there was this sense, to some extent, that there was one size fits all.*

Interestingly, as the PSIs became more experienced at how to garner funding and what targeted funding to pursue, they became more astute at putting their case forward to the department. What they encountered was a department willing to listen as planning processes converged. This was attributed to their belief that the department was indeed working in their best interest to get money back to them. As the above VPADM noted, "At the end of the day, it all works out." It was found that there is a tacit willingness to accept political decision making as part of system redevelopment.

It has been long argued by many within the system that stability in funding is the key criteria to develop long-term strategic plans that truly benefit the PSIs. That concern has not been fully addressed even within the report from the MLA committee on system

funding. The recent one-time targeted injections to address equity were politically interesting but of little value to actually stabilize the system because the amounts were not great and sustainability remains an issue. Indeed, continued one-time funding can create the exact opposite effect: Institutions can begin to scramble to attract any available dollars and respond in a completely nonstrategic way. There was no evidence that this had started to occur in the college sector, but there was a sense that future funding might be tied to equity or the feeling that "it is now our turn." There was ample evidence of this resulting from the fall 2000 moderate, and in some instances seemingly excessive, one-time funding for capital projects received by select institutions due to a budget surplus. These were approved by the minister under the pretext of strong strategic plans built on accessibility related to new programs and to address capacity issues related to increased FLEs, as two examples. What was interesting was that the infrastructure minister did not make these announcements; they were grappling with requests systemwide, and their lack of visibility focused on the politics involved in the decision. Data might prove that they were appropriate decisions, or they might suggest the opposite.

Anecdotal evidence suggests, however, that many of the PSIs that received funding were surprised by it. After these announcements were made, instead of being outraged or incensed, the response by PSIs—and, it is suspected, their boards as well—was basically one of being patient and waiting for the pendulum to swing back in their direction. Eventually they will also "get their share." This is precisely the opposite of what the department had been striving to achieve, and it was determined that the old ways of thinking that were representative of the good old days were returning. How well the department adheres to its funding priorities and mechanisms will be important to

follow. This approach creates unnecessary instability. Expected rapid growth in the system other than capital projects will require more than one-time funding initiatives, and the revised Performance Envelope is expected to yield a one-year adjustment only. This exacerbates the situation and is not conducive to long-term or strategic planning. The problem with these one-time injections is that they never become part of the base operating grant, and any future percentage adjustment to the grant excludes that funding in the calculation. The PE dollars currently are rolled into the base operating grant when they are awarded; currently, adjustments are made on that total. As one interviewee stated when he was discussing the relative importance of one-time funding related to institutional planning:

> *That will make it more difficult to plan, because, again, if they are going to keep the pot of money [the Performance Envelope] fixed and have your funding depend on how everyone else performs, then it's going to be almost impossible to predict what you are going to get the next year. And we are already into an environment where we are already being asked to do a four-year plan now and submit that to the ministry, and most of the ministry funding mechanisms are announced in the current year.*

There has been considerable speculation surrounding the department's seeming unwillingness to commit to funding grants beyond the one year, and it is primarily attributed to an unwillingness by the department to be caught politically in a commitment that it may be unable to keep. Two VPAs discussed this, and, as one indicated, "They don't want to make a wrong decision politically, so they try not to make a decision at all." The other one mused on the department's demand for three-year business plans that look to the future and the department's inability to commit to the institutions on those plans. He summed up his assessment by stating:

If anything, they are becoming increasingly shorter term because it helps with the overall financial management of the province. They don't commit to things they don't have, but they are expecting us to do long-range planning, which is becoming more and more difficult.

There is a direct relationship between the strategic-planning process and how dependent the colleges are for their funding. One interviewee discussed how his college has changed since the PE. He viewed the investment in their institutions from the funding envelopes as the catalyst to continue to develop strategic plans that respond to system goals. He commented on where his college is today and credited the department's persistence in developing the PBF mechanism. Those comments follow:

When you started requesting resources to do certain things and you could fit them to those areas [the department's goals], there was an understanding that "Yeah, we do need to put resources, invest resources, in support of student's and invest in new programming," because it was being driven by those. And, because we did that, we also got—I think there was a payoff in the sense that in the last even year, six months, we've seen a real benefit to what we have been doing in the sense that we have been rewarded from a resource point of view—both capital resources and operating resources. So if they didn't have them, I just don't think the college would be this far down the road.

Strategic planning based on solid data has been the key concept to which institutions now adhere in the development phase of their planning. The colleges found this approach to be effective in these fiscally-restrictive times primarily due to increased trust in what the numbers are telling institutions. They also need to maneuver through the maze of departmental restrictions on funding, most of which are based on these same data. One VPA explained that they were now using the PE data in planning:

We can complain and whine that the numbers aren't quite right and they're not the perfect indicators and we're a little different, . . . but overall I think the discipline we put on the system was good. And we do pay more attention to those numbers.

Another similarly commented, "I think we have reached a point that . . . the data we're getting . . . is good data for us to have for planning. So I think it's forced us more quickly to get to . . . much more objective planning than subjective."

One president deliberated on flaws he saw in the way the department planned. He provided the following as a reflection of his musings:

> *The challenge for educational enterprises is to ensure that if they are instituting planning, they are strategic, which means, to some degree, a considerably longer time frame than the three- to four- to five-year model that governments function on. And what's compounding the problem with planning is, the government tends to fund the public institutions on an annual basis and not on a multiyear basis. Now, I have no complaints about the model in this province. We've been very, very well treated; . . . it does work very well. But in a purist model, it does not enable the organization to truly do a real strategic plan. You at best can do some rolling cycle five-year 'hope that it happens' model, but there can be all kinds of unknowns. And that's part of the game of strategic planning.*

It was found that funding instability is partially attributed to unclear direction by the department related to their ability to confirm secured funding past a one-year timeframe.

Business Plan Alignment

After a review of the Performance Envelope implementation schedule and comments from respondents regarding their business plan processes, it became evident that these were not only simultaneous processes, but they were also tightly aligned processes. As one VPA noted:

> *Even in 1993 when the first downsizing, major downsizing occurred, 21% funding reductions, we started right then and there using the ministry's goals. We just started planning our own goals, so if you were to look at our. . . last planning document, I think there are about eight major themes in there. But you'll find, I'm sure, six out of the eight will be linked directly to what the government and ministry has identified and maybe a couple of those [linked] to this institution.*

Close business plan alignment by the PSIs and the department's planning guidelines is an issue that not only speaks to institutional autonomy but also speaks

strongly to departmental coordination of the system. Alignment of business goals was perhaps the key area where there was a notable difference in opinion among interviewees, particularly between presidents. Two of the presidents acknowledged that the alignment was obvious but were not willing to admit that their colleges were following verbatim the goals of the department. Indeed, they both felt that the department was simply expressing goals that were inherent in the system. One president stated:

> *We are not insensitive to [the government's goals]. They would be our own goals anyway: accessibility, responsiveness, et cetera. Those are the goals of the institution regardless. I mean, this isn't exactly new news that the government has come up with those kinds of issues because they are the issues of educational institutions. We don't consciously say, "How does this fit in now with the government's goals or government strategic planning?" It does because it makes sense. I would suggest to you that the government's identification of those strategic goals should have flowed from the institutions, not the other way around.*

His VPA alluded to similar thinking about the alignment of their business planning and the department's goals as he described the process through which he was likely to go as he prepared the next plan. "These goals are so internalized now that . . . probably what I write would match."

A second president had almost verbatim comments on this topic. He answered the question in this way: "I think there is an alignment. I think it is more by happenchance." He provided this additional assessment:

> *Now that we have their new, yet revised, new business plan, we will probably find ourselves more closely aligned to it because we'll take a look at it and try to fit things in. I don't think there is anything in there from what I've seen that would not be part of most institutions' plans in any event. It's just a matter of how you say it.*

His VPADM discussed their approach to business planning, and his comments were in agreement with those of his president. He also stated that their business planning process is a year-round activity. He commented:

> *It is not a case of setting your goals and objectives once a year and put them on the shelf and wait another 12 months. We are now doing that type of thing, monitoring, providing feedback, adjusting our goals and directions.*

When another commented on alignment of goals, he noted that "we came upon them ourselves from another direction. . . . We have a number of values that are consistent with what the government's business plan, values and priorities [are]."

One president gave an opposite scenario. He stated that the department's goals determined the goals for the college and subsequently affected their business plan. And the decision to move in that direction was based on their experience with the PE:

> *And the very first one [PE] that came out we didn't do well, and that was just really negative. We hadn't been paying too much attention to it; we had been doing what was right for this institution. We had all kinds of good things happening here, and then all of a sudden we get this first performance report card and the way the government put it out, and we weren't standing up well.*

This was the only president and interviewee who admitted to moving away from goals determined by the college—and, admittedly, appropriate goals for the college—to those determined by the department. That was revealing. As for the next iteration of their business plan, this president further commented that they needed to ensure that their goals were "tied back to what Alberta Learning's are because we learned fairly quickly that we are most likely to get support if you are with them than against them." This was a very powerful comment.

Some interviewees who are actually the business plan architects indicated that they used the exact terminology that the department used. As one respondent noted, "We

decided it was just as easy to put our goals and objectives under their titles as to create our own." One admitted that the close alignment was not purposely planned but was, coincidentally, the outcome. It was found that colleges do purposely align their business plans with the departmental plan. It was also found that the colleges—as resource-dependent institutions—put priority on the department's goals vis-à-vis institutionally generated goals.

Autonomy

> *And if there is any movement at all, it will not be for less autonomy or for less control by government. It will certainly be for more control by government, which translates into less autonomy by the institution. (President)*

It appears from departmental data, particularly the annual reports, that there have been stepped-up efforts to reduce institutional dependency on government resources. This is easily shown by specifically examining the base operating grant now received as a percentage of total revenue and comparing that to earlier numbers. Unexpectedly, two presidents stated that they were waiting for the day when their colleges will not be as dependent on the government. That was informing. As one president noted as he mused about the present situation compared to a possible predicted future that would see less government funding, complete institutional autonomy has another type of "price tag" attached. He said:

> *You know, one day soon we will say to the ministry, " you will no longer be the majority shareholder of this institution, thank you very much." And I don't mean that in any derogatory way. But I think it is a fair statement to say so that, of itself, it gives you a tremendous independence. So I think that's important today. But I think you have to recognize that you've lost that freedom. We are now out there raising money. A freedom that I had before was to spend more time doing different things, and I could blame the government for forcing me and taking away the autonomy I had now that I am much more reliant now on the*

fundraising skills I may or may not have. So it's a sharing; it's a loss of some autonomy.

For the majority of interviewees, autonomy was related to their ability to make decisions independently for the betterment of their colleges and to be in control of the long-term future. It was explained that the challenge is to achieve a balanced approach related to autonomy. The majority of interviewees confirmed that as long as colleges are part of the public system and as long as they receive public funding, they are accountable to that public. One president discussed autonomy and the college's relationship with the department. He commented:

I haven't sensed it's lost autonomy. We have a close affinity with the government and particularly with the Ministry of Learning that I think it's fair to say that that umbilical cord is there. And we need it to be there. It should be there. We haven't sensed it's lost autonomy. We are a publicly funded enterprise.

One VPADM looked beyond the department's involvement with the colleges to other government departments that are now involved in the PSI system, particularly Infrastructure, as well as Treasury and the Auditor General. During his discussion on institutional autonomy, he posited that a possible new future for PSIs could include other government players and that this would have a clear and severe impact on institutional autonomy. He saw the beginning of this involvement and stated:

Colleges are supposed to be arm's length, but as the pendulum swings back to drawing a reporting relationship even to the department, the department would agree with us that they didn't want to take our revenue/expenditure statements and integrate them so much into the overall government financial statements because you become an extension of [government]. It's like the really old provincially administered institutions which, if you have ever lived through that, . . . you know the big difference between being able to operate making your decisions. In other words, "Give me the resources; I'll put forth indicators; you hold me accountable," and that's all you need to do; whereas if you are not careful the Auditor General's reporting relationship tries to draw us back in so that our liabilities are their liabilities, and I know that there is that kind of

> *indicator. But it's a subtle thing; it's a gradual drawing back in. And at some point right now—we see, for example, Infrastructure is now responsible for all capital investment—and so now we are being drawn more into Public Works/ Infrastructure. So if you are not careful, that's how your autonomy gets eroded. I don't think it's based on performance indicators. Indicators are like, "Just show me that you performed; I'll give you resources; you perform well; I'll measure that," and then keep going. If you're not performing well, then they'll say, "Hold on here folks, there is something wrong. If you don't fix it yourself, we'll fix it for you."*

It was found that there is concern regarding institutional autonomy eroding due to the financial reporting that is being requested by the Auditor General. This is an emerging area of concern, although the department has not yet complied.

Given the current nature of how funds are allocated to institutions, the department basically transfers the entire operating grant, and the college is then free reallocate it within its budget in any way determined appropriate. This is reflective of the CHST transfers and how they are allocated. At the same time, colleges must be cognizant of how it was spent; they are accountable for that. As one VPADM stated:

> *Our board decided what it wants to do with the resources it has, but it has to understand that people will ask the questions and we have to provide the answers. So I don't think there's a negative impact for autonomy.*

It was found that accountability and autonomy are inextricably linked in this PSI sector.

Relying on his college's past experience with the Performance Envelope, one VPADM lauded the changes that he believed were brought about by the PE implementation, because he saw the end result as being positive for their institution. He stated:

> *We are much sharper and clearer in our thinking on student access, program capacity, program diversification, and relevance to our employer community than we were before PFE. Now, that's the interesting thing. . . . That's a hard thing to admit because when I make that statement, I am making the statement that [our college] needs some external directional push, and that's why I'm sure most of*

> *the people you will talk to will chafe at the PFE, because . . . it is government directing the course of the organization; and most people believe that they, in their wisdom, can guide, can lead their organization without any external guidance. And I take the view that organizations can suffer from tunnel vision and lethargy, fossilization, and so on. I mean, that's stating it in the extreme, and that kind of interaction of interests between the policy goals of government and the direction of the institution is, in fact, a productive thing.*

It was found that the college sector has changed during the prevailing years since the implementation of the PE and that economic cycles and fiscal-policy realities are still key drivers in government decisions. In the cycle of ongoing government initiatives, others programs will come along in the future that will impact the PSI system and affect the behaviour of colleges. Surplus and reinvestment discussions and decisions in the PSI system were rampart in the last year, yet currently the government is giving early warning to their ministries and the department to tighten their belts. This will eventually lead to questions among institutions on the need for stability in their operations and their ability to withstand another wave of radical realignment.

Emergent Environment

Permanent Accountability

> *I think it was always sensed by a lot of us that sometimes there were some machinations going on behind the scenes and that we were being manipulated. I don't know if there was a master manipulator somewhere, but I honestly don't think any more it was in the department. I think the political process and the accountability process and the overall government process caused it to grow and evolve the way it did. (VPADM)*

It is useful to consider exactly where the system is with respect to the implementation cycle as it affects accountability and, borrowing from business jargon, the initial driver that launched a decade of targeted funding initiatives. At this point in the cycle it is clear that accountability has become acknowledged as a key value in the PSI

system. Interviewees at one juncture or another mentioned being accountable; the data supported the fact that all agreed that it was important.

Reference to increasing accountability remains central to the department's funding and business planning documents. After reviewing documentary evidence from the institutions interviewed, it was evident that PSIs point to the need to be accountable to students, staff, employers, the public, and their other stakeholder groups; and these constituent groups are aware of accountability. One interviewee commented that "I think the public are just a little bit more realistic and a whole lot better informed than they ever were before."

Not surprisingly, accountability is referred to in the day-to-day language of PSIs and from personal experience has permeated the organizations. PSIs have been kept on the message; it has, as one president indicated, become the "opening and closing prayer" as they start and end their meetings: "What have we done for students today?" That comment singularly sums up the new commitment to accountability. Traditionally, it would have been expected that PSIs put students first, and I suspect that they did. However, the focus now is so clear and so direct there can be no mistaking to whom and to what they are accountable. The reporting mechanism as an accountability tool has become accepted within the system. As one VPADM said, "I think it just motivates us to work harder at doing it well and it shows up in the measures. So I think it is really a good indicator of performance and accountability." Another one commented that

> *I think it is a relatively new culture in education, but I think it is a well-tested culture in a way of doing things in other areas. I think education has to become much more sensitive to the community at large. I think it [the PE] is forcing us to do it.*

It was found that the currency of accountability has not deteriorated; quite the opposite is the reality. Accountability has been wholeheartedly embraced as the overarching goal of the system, and from the data it can be assumed that it will continue to feed future policy development. Accountability will continue to loom large over the PSI system. To date, this policy initiative has been a successful tool for the government, and there is no indication of a mood change within the province to suggest a move for less accountability for publicly funded institutions. Indeed, accountability and performance measurement exists in one form or another in other sectors such as health, and there is an ongoing movement to implement further accountability measures into the K-12 system other than in the student assessment area. One president suspected that the government takes its cues for continued accountability measures from the taxpayer. He noted:

> *The government, I think, is faced with a general populace that wants to hold them accountable when something doesn't happen the way it should. And they make no bones about it. The public uses the media, uses whatever they can to let the government know, so that when you're dealing with a publicly funded organization, you are then trying to find ways to ensure that the public dollars are well spent and the trust—the fiduciary responsibilities are one thing—they are also trusting people with lives. They want to make sure that is being done well. So I think it is accountability that drives many of these.*

However, some of the interviewees seemed to be more confident generally with respect to the PE and the PBF mechanism. During one discussion on accountability, one interviewee commented that "we produce reports and send them out, and we are not afraid to put ourselves up and be measured." Another interviewee captured how he believed the call to accountability impacted PSIs. He stated: "Accountability is a serious world we should have been in for years. . . . We have got to be accountable to the people, to the taxpayers and the people who fund us." What is emerging is symptomatic of

widespread acceptance of the PE. No longer do you hear about intense disagreement on KPI definitions, although they still exist. You do not sense the same level of energy challenging the department as the PE report card slightly shifts or that the allocation of funding is going to change.

There are visible linkages between the PSIs and the department, most notably in the alignment of the system's business goals. The data show that PSIs do not negate the role of the department when they examine their accountability relationship. It is a conflicting situation. As was stated by a VPA, he is not concerned with accountability as defined by the department when it is kept in the perspective of what the college was working to achieve and has achieved. He said, "We have to be accountable to the department to get this job done." To cement the point, he continued, "I want to make sure that we are obviously not in violation with what the department wants, . . . our business plan, our strategic plan and so on." But that was not to be construed as being in conflict with their primary goal of serving their students. He continued by stating that his college ensures that "our customers, our students, are getting the best-quality education for the amount of money." Inherent in this last statement is reference to the exact principles that are so often trotted out by the ministry when they discuss accountability, and they are embedded values in PBF mechanism. It was found that some PSIs have fully embraced the concept of accountability and have found positive aspects stemming from the initiative that benefited their institutions.

The Role of the President

A strong convergence is developing between the external constituents and the educational world, the latter seemingly irrevocably tied to the former. This is most visible by the changing role of the president and other senior executives since the implementation of PBF. One president elaborated on his changed role since taking office: "A large part of my job, which didn't exist six years ago, is fundraising. I am out there on a regular basis asking for donations. . . . We expect the community to be on our campus." With reduced base operating grant funding and tuition fees capped at 30%, there are few means other than fundraising for colleges to pursue generating revenue.

Presidents are spending more time externally courting and stewarding these relationships that could provide future benefits to the college. In addition to benefits related to future revenue generation, colleges are increasingly accountable to their community through programs and initiatives that are important to key public and business interests. They must continue to provide workers who possess current skills demanded by industry, and presidents are fully aware of that ongoing demand. One VPA commented on the changing role of the president from his perspective and what he saw as the senior executive's changing role as well. He stated, "Presidents have to be out there promoting their institution and getting resources. . . . I think we're all expected to play a bigger role in that regard in terms of being involved in the community and doing fundraising kinds of things and influencing people, politicians, or people of influence." One other president noted that he did not link the changing role of the president as being solely an outcome of funding envelopes. He stated:

> *The community now contributes in a very significant way financially and also in the virtue of the college. They are telling us what's important to them and what isn't, and if we don't listen we are not going to survive. I've seen those kinds of changes. And I don't think it is just simply because envelopes have been created. I think it is also the evolution of the culture in Alberta in that we [the taxpayer] want more say in what's going on.*

Presidents, as members of the governing boards, are involved in strategically positioning their colleges. Without exception, the vice presidents of each college heralded the skills of the president in both being able to develop strong relationship with the board and providing the leadership necessary internally to enact initiatives that are important for sustaining and building the colleges. This is the clear message that presidents must be able to effectively bring to their potential (donor) sponsors. They must engage the sponsors fully in the college interests and then must assure them that they are known to be accountable to their stakeholders.

As the colleges' leaders, these presidents must continually communicate a strong message internally and externally. They must be seen clearly as guiding their colleges and as setting the direction through their strategic planning initiatives. They do not want to be seen as being guided by the department. They see the department's role as important; they understand their financial dependence. The presidents were acutely aware of their changed role and were confident in their ability to lead their organizations.

Part of the difficulty in understanding the impact of the accountability policy as it relates to the PE is determining how many of the changes described by the PSIs can be attributed to the department and how many to the PSIs. There is sufficient research data to support the statement that the department has indeed determined the direction for the PSIs by virtue of the necessity to comply with departmental goals. But two presidents interviewed contested that assertion. They made countervailing comments, insisting that

these initiatives were basically system initiatives that would have unfolded under the institutions at any rate. Their thesis was that system goals equal departmental goals. If that assertion holds, the revised funding mechanism could be credited with fast-tracking these initiatives. None of the presidents disputed that the department's goals have had an impact on strategic planning in their colleges. What was found to be in dispute was whether these goals were initiated by the department or by the PSIs.

The data suggest that, since the PBF implementation, the department has become more central to PSIs on issues of accountability. Resource dependency can partially explain this, as does understanding the historic role of community colleges within the system. It was found that without the department prompting through the PE and other funding initiatives, the PSIs could have pursued other goals, those that are closer to their individual mandates. The exception was one president's comments that there is not sufficient data to strongly support this contention but that there were sufficient pronouncements specifically related to the business planning to suggest that college goals could have been usurped by system goals. However, since the PE goals were derived, they have been reinforced by the goals set for the system, as is evidenced in the data. The data suggest that the PE initiatives did provide the roadmap and indeed the car to drive the system to where it is today. As some interviewee's comments suggest, the trails had already been laid down by the PSIs, and the gas that let the engine run was provided by the colleges.

System Reinvestment

Get us some money. Don't treat us all the same because we all have different issues. Look at some equity issues and then look at some ongoing issues after that. (President)

The above comments were perhaps the most profound and the most pronounced found in the data; they appeared in one form or another from several interviewees within each college. There is a collective voice that has emerged from the college sector as they look to the future to determine how they will balance the goals of accessibility with continued deteriorating resources. Efforts to add new resources into the system have fallen far short of the ongoing burgeoning financial demands. Key institutional issues that have not been addressed by the PE or other funding envelopes are beginning to mount and will cause increased pressure on the department. Eventually, there will be increased pressure on the government to respond in some fashion that meets the requirements of all involved groups. Infrastructure and human resource concerns have surfaced as predominant emerging issues that need to be addressed in the short term so that the PSI system can continue to plan for the long term. Sustainability into the future will be impressed upon the department by the colleges. This may be the one area where true collaboration does emerge between institutions.

Infrastructure

Each interviewee, without exception, spoke to the reality that the system in its present form remains underfunded. Throughout the data it is clearly evident that colleges have done things differently and that they have responded to the call for accountability through system planning. But the system has reached a point where infrastructure issues, primarily upgrading and maintaining existing facilities and erecting new infrastructure to

meet increased accessibility, are pushing them to the limit of what is feasible. Recent one-time equity funding was welcomed, as were injections of capital, but it is believed unlikely that this will sustain the recipient colleges into the future. This is a key area of concern and one identified by the majority of interviewees. They believed that it needs immediate addressing to ensure that the colleges remain viable.

All interviewees collectively stated that the choices they made to date regarding resources are those that were deemed to be least detrimental to their students and the college as they moved forward after funding cuts. As one president noted, "You are generally looking at the least damaging to the students." During the cutback years and those that followed, PSIs quickly realized that initiatives related to the Access Fund and increased FLE were the primary means of attracting more funding. "If you have more students, you end up getting more money. It is that simple."

PSIs became focused on increasing enrollment. All implemented some form of an enrollment management plan to track students from point of contact to entry, through the program, after completion, and into the workplace. More time and resources were spent monitoring retention rates. Some of the new college positions that were put into place to collect and submit data for PBF also became responsible to provide better reporting on FLE growth. As one president stated:

> *Enrollment is definitely related to funding, and if you look at the KPIs, the only significant one you really have to worry about is how many students do you have. All the new funding is related to how many students are served.*

Although it was acknowledged that new funding is important, even funding with caveats, one respondent believed that the performance funding envelope criteria could be viewed as counterproductive. He stated, "You do well on performance by increasing your

FLE, but you then have to deal with all the issues related to growth and the financial impact that has on the institution." There was also agreement among several interviewees spread across all colleges that to ensure the increased FLE, colleges were now competing for students. Catchment areas broadened for related programming, and more resources were being spent on advertising. New initiatives have seen student recruiters being hired as well. It was noted that "as we've become much more competitive with each other, it is harder for us to work together for the system." New programs in highly specialized areas were being launched, and students were attracted from throughout the province as well as out-of-province students. That latter fact was not something that was envisioned when the department sought to increase accessibility.

As student growth increased, so did the demands for housing and for improved student services, including employment services. This growth was generally welcomed, and so were the associated initiatives that supported the growth in the college. These student-focused services were viewed as beneficial to the colleges generally, but they all had associated new costs. As one VPADM said, "We might not have done them otherwise. They became additional motivating factors to do those things." He continued, however, pointing out that there is possibly a negative side to growth and to ensuring full points on the Performance Envelope. He stated: "We sometimes get involved in making sure we promote and try to influence the views of the students before they get around to filling out their evaluation." Influencing results that make up part of the report card has been a concern since the inception of the PE mechanism, although all institutions perform well on that particular component, so there is no sense of urgency to examine it systemwide. It is informing, however, in that it does guide behavior as it relates to the PE.

The PSI system is reaching saturation related to FLE growth, more growth than can be accommodated in the current "bricks and mortar." Yet government goals continue to point to growth as a system objective. As discussed earlier, it was shown that the department is finding ways to add money to the system through one-time funding. As one interviewee noted, "It's a little of a day late and a dollar short." The amount of the base operating grant was also seen as unsustainable. One interviewee explained it this way: "The province is collectively paying the salaries for the faculty. But any support staff and administrators and heat, light, and power are being paid through tuition fees, ancillary operations, donations. That's a pretty good deal for the government."

The interviewees believed that managing on the amount of the system funding is unsustainable given the system goals. There was an alarming consensus on this point. One president reported that "you can't give it all to us in targeted envelopes. . . . The things that it doesn't support, the base infrastructure needs that we have, . . . our support side of the institution, are really hurting." Another made the following statement and recommendations for performance funding: "The one thing I would suggest is that the best way that the Performance Envelope will continue to help us is that it really deals with fully funded growth as opposed to some of the other indicators."

The following excerpt in its full form captures this vice president's experience in trying to manage issues associated with college's infrastructure as they exist today. He suggested that his experience is not unique.

> *Let me tell you a story. Right now we still have major funding issues with new facilities and infrastructure; you know the government. They tell you that you have to create access, increase your enrollments, and to do that they help to fund you with new programs. If it is not a new program that they like and they decide to fund it, then they throw in some money there for it—let's say, $10,000. But you are sitting in an institution that is already full, so you have to go out and build a building. So you put together a campus development plan and you show them how in five years' time you can meet the accessibility goal, but to do that we need X amount of new learner spaces. To do that, we've got to build a building in the neighbourhood of seven to ten million dollars. And the government comes along and says, "Boy, that is a really good plan. We'll give you three million dollars and you might pick up the"—who knows how much?—" through the Access Fund." No one tells you [how much]. So you say, ". . . Well, we're assuming that we will get X; if these enrollments come in, then w are going to get these Access dollars." So our BOARD says, "The heck with it. Go and build the building." So now we are sitting there with three million from government, one million through Access funding, and that is four million, and we are building an eight-million-dollar building. I haven't got a clue where the other money is coming from except that I'm going to borrow some infrastructure money that I have gotten from government. Temporarily borrow from those pots, . . . borrow from Paul to pay Peter, and then hope that in the long run we do get all this money from Access. If we don't, then I guess we have to go back to government and say, "We misappropriated the infrastructure dollars because we spent money building." So I don't think they give us nearly enough. That is just incredible, and that story is repeated quite often throughout the province.*

In actuality the PSIs are required to contribute 30% for rural and 40% for urban institutions of the cost of capital projects through whatever means are available to them, adding further instability. Many capital projects are currently under development, yet the full source of funding is not known. Fundraising assists in these efforts, but that issue has its own set of limitations, as previously noted.

Human Resources

In addition to infrastructure issues is the ability of colleges to attract talented staff in high demand program areas as well as replacing an aging instructional staff. Three of the college participants told stories about their inability to attract qualified instructional staff in high employment related programs. This has been an issue that has plagued the

system for years with respect to information technology programs but has more recently become prevalent in other areas, particularly in the health and trades areas. PSI salaries are not competitive with industry, and the economy in Alberta is experiencing a boom. A targeted envelope related to the attraction and retention of staff was recently announced and has been viewed as helpful, but not enough to address this particular system pressure. As well, there are the ongoing increased costs associated with the existing human resources at all levels throughout the colleges. As one president noted, "When you read about somebody getting four percent, . . . well, it's not just four percent; it's all their benefits, it's their professional development, it's their vacation pay." Given recent salary settlements in the province in the health area and the current, very public dissatisfaction with the proposed 6% salary increase over three years for teachers in the K-12 system, the colleges have braced for compensation packages in the future that will exceed their ability to meet those demands.

A related issue is emerging as well. It is predicted that a high level of qualified staff will be leaving the system, some due to retirements and others associated with staff taking positions in the private sector. PSIs have been basically working with the same staffing budgets for the past three to four years. The 1% system award attached to the Performance Envelope has not even come close to addressing the inflationary pressures associated with staffing. Overall, interviewees saw that part of the system breaking down, and they felt that they were being ignored on this important point. The government's recent announcement as part of the MLA funding review report guaranteeing 3% of the PSIs base operating grant into the future was welcomed, but it was noted that it is not adequate.

Combined with inadequate resources for staffing and the uncertainty of how future staffing needs will be met, another issue has become increasingly important, succession planning. One president expressed the view that "one of our major issues at this college with our board is succession planning. I am worried where our next generation of leaders, where our next generation of faculty, will come from, so it is an issue." There was a noted increased dependence on contract staff as one way of dealing with budget issues associated with staffing. In addition, boards must also struggle with how to appropriately compensate these individuals, particularly their presidents. Also of concern is the required skill set for the next wave of presidents. More and more boards are requiring that their presidents be entrepreneurial and grounded in business experience. It was found that PSIs do not have the resources to attract and maintain highly qualified personnel based on current planning by the department for funding into the future. The planned funding is not compatible with system goals.

Summary

Chapter 5 provided background information on the study participants and presented the findings from the data analysis. Specific themes emerged during the data analysis phase, and these themes were direct outcomes of the interviewees' perceptions of funding issues that exist in the PSI system today and their expectations related to funding for future system development. Of specific interest were the interviewees' perceptions vis-à-vis performance-based funding. The themes were organized loosely within the conceptual model presented in Chapter 2. Themes that emerged were classified into three primary categories: (a) policy environment, (b) institutional environment, and (c) emergent environment.

It was found that the accountability policy and the 21% system cutback in the early 1990s had the most profound effect on the PSI system, and any subsequent funding initiative to put targeted money into the system paled in comparison to the amount taken out. The findings show that government policy as it relates to fiscal concerns and accountability issues played a larger role in system redevelopment than was originally anticipated. That trend continues today. It was determined that the decision-making processes within the college have not changed, but the PBF mechanism has impacted college decision making specifically related to (a) the actual award dollars, (b) enhanced public relations, and (c) the changed processes undertaken. Some of the changed processes with a direct link to the PE include initiatives such as improved services to students, enrollment-management activities, and enhanced institutional research. It was difficult, however, for the interviewees to specifically attribute changes or restructuring activities directly to the PE due to concurrent implementation of other funding initiatives.

It was found that some interviewees suspected that the department used targeted funding envelopes to return money to the system after the 21% reduction. The PE award was seen as relatively small, but important to the colleges. It was determined that rural institutions were disadvantaged under the PE based on location and their diverse mandates. These factors hinder their ability to improve performance based on the underlying principles, particularly related to FLE growth. FLE growth was found to be the key driver for PSIs to achieve top awards; accessibility remains the primary system goal.

Due to the rapidly changing nature of the funding environment, it was found that PBF does impact decision making, strategic planning, and business-plan development

within the PSIs. It was confirmed by the great majority of interviewees that their colleges purposely align their business plans with the department's goals and objectives, thus impacting their strategic planning activities. Not all presidents agreed that the department influences strategic planning and maintained that the department's goals have always been the goals for the system. It was found that alignment with the department's goals occurs at all the colleges, thus impacting institutional autonomy. The department has adopted a centralized planning philosophy related to system restructuring given the unstable times. This planning is cloaked in systemwide consultations to detract from the directed guidance given to PSIs from the department. The findings reveal that some interviewees questioned the apparent increased departmental coordination of the system, ultimately affecting their autonomy. As well, there was skepticism surrounding the perceived influence that other government departments have as it relates to institutional autonomy.

With respect to the Performance Envelope, it was found that growth is now an institutional goal as well as a department goal. Not all interviewees saw the divergence from departmental goals as inhibiting their planning, and they felt that their strategic planning was more focused. It was found that the performance funding envelope criteria is counterproductive given that it is reaching saturation related to FLE growth. Emerging issues related to continued growth as a system objective are (a) funding stability to address planning, (b) infrastructure redevelopment, and (c) human-resource management. These will require more than the Performance Envelope as it presently exists and the now familiar one-time funding initiatives to address these issues adequately. It was felt that the department's continued insistence on business plans that look to the future combined

with the department's inability to commit to funding for those plans in a timely manner will pose future problems. Institutions now rely on the data generated for the PE when putting together their business plans, and they also rely on it for decision making.

Overall, the interviewees consistently stated that managing on current system funding is unsustainable and in conflict with system goals. It was also found that economic cycles and fiscal policy realities remain key drivers in government decisions related to funding PSIs and that PBF is a microcosm within system funding. It was recognized that funding stability for the PSIs must be part of the long-term strategy for the department if it is to achieve system objectives. Accountability will continue to be the most predominant factor in future system policy.

Chapter 6 presents the discussion based on the study findings. These are discussed using Bolman and Deal's (1997) four-frame conceptual model as the primary data-analysis framework, as well as the work of other renowned theorists and researchers.

CHAPTER 6

MAJOR FINDINGS AND DISCUSSION

This chapter presents the findings related to (a) the general research question, (b) five specific questions, (c) issues connected to the department, and (d) the purpose of the study. These findings are discussed within the general framework of these questions. For purposes of this analysis, Bolman and Deal's (1997) conceptual framework was used as the primary data-analysis tool to provide alternate perspectives by which to view the findings.

Organizational Frames

In Bolman and Deal's (1997) organizational design model there are four distinguishable categories or frames used for analysis: (a) structural, (b) human resource, (c) political, and (d) symbolic. These frames, or perspectives, provide other ways of examining the findings that provide clearer insights and minimizing potential researcher bias. This organizational design framework is based on theoretical underpinnings from some of the most renowned organizational theorists. Their framework does not purport that an issue be viewed solely under one frame; rather, within each frame is the opportunity to view findings from other perspectives, taking into consideration, for example, varying situations, diverse stakeholders, and changed circumstances. Certain findings in this study lent themselves well to one frame or another, but there was never a pure parallel; often there was a blending of frames, allowing for a broadened understanding of the findings. A brief description and key highlights associated with each frame are identified in Figure 6.1.

STRUCTURAL	HUMAN RESOURCE
Reflects a belief in rationality. *Key precepts:* ▪ *Established goals and objectives* ▪ *Rationality prevails* ▪ *Structures fit circumstances* ▪ *Specialization of labour* ▪ *Coordination and control* ▪ *Problems remedied through restructuring*	*Reflects people and their symbiotic relationship with organizations* *Key Precepts* ▪ *Organizations serve human needs* ▪ *People and organizations are co-dependent* ▪ *Relationships that are good benefit both people and the organization and vice versa*
POLITICAL	**SYMBOLIC**
Coalitions form to gain leverage and power; focus is on strategy *Key precepts:* ▪ *Key decisions involve allocation of scarce resources* ▪ *Organizations are comprised of coalitions* ▪ *Individuals and interest groups differ in values and beliefs* ▪ *Decisions are based on bargaining and negotiation* ▪ *Power and conflict are central features of the organization*	*Meaning, belief, and faith are central principles* *Key precepts:* ▪ *Events are important for their meaning* ▪ *Activity and meaning are closely coupled* ▪ *Ambiguity undermines rationality* ▪ *People create symbols to resolve confusion* ▪ *Myths, rituals and stories help find meaning*

Figure 6.1. Bolman and Deal's (1997) organizational frames, adapted from *Reframing Organizations.*

Descriptors and characteristics attributed to the specific frames were used to highlight certain aspects of the findings. Influential researchers in the areas of decision making, strategic planning, leadership, and policy development were also used to guide the discussion. The use of Bolman and Deal's (1997) framework and the work of various researchers in these fields enriched the discussion on the findings. The subquestions are also restated, and the findings are discussed in the context of the general and specific research questions.

Findings and Discussion Related to Question 1

Question 1 asked, "What is the nature of the decision-making process in the college, and how has the Performance Envelope affected the process?" Each college interviewee described the decision-making process as an exercise in collegiality. There was a determination by these participants to move decision making as far into the organization as is possible to ensure that those who are ultimately impacted by the decision making participate and have ownership in the process. There was also a determination to have the involved external stakeholders participate as well. It was found that how these colleges approach the decision-making process has not changed since the implementation of the Performance Envelope (PE), but rather the PE has indeed affected decision making.

Colleges generally have a unique culture. Birnbaum (1990) provided four models of governance for institutions of higher education. Using Birnbaum's typology, many descriptors of the collegial model could best describe community colleges. In this view presidents are seen as "first among equals," members feel that they influence decisions, and decisions are based on consensus and thoughtful consideration, all of which impact the decision-making process. This reflects what respondents related as they described their individual president; overwhelmingly, they gave considerable credit to the president for leading them through difficult times. Bolman and Deal's (1997) symbolic frame best describes how the president is viewed during chaotic times. The postsecondary environment remains uncertain, and ambiguity in dealing with the external environment does undermine rationality in the traditional sense. There was a sense gleaned from several interviewees that their college would have suffered dire consequences without

their leader. I saw each president as the anchor and support to the college. The presidents were seen to be defending the college and articulating its position to the department, the government, and the board.

The presidents each described the environment as collegial, and it was apparent that each was intimately involved in the business-planning activities as they related to their strategic positioning, but not to the day-to-day operations. They had the pulse of their college and lauded the determination and tenacity of their staff to ensure that their college not only survived the cuts, but were also now on the cusp of thriving in a new environment. Each was optimistic about the future, but realistic given the political environment within which they exist. Symbols were made visible through reference to their academic councils and planning and review committees. Symbols were also visible with the focus on new areas such as institutional research and support for students. These symbols are visible and important in that they provide a perceptible sign that the colleges are proactive in responding to the PE. They were touted as important to the future of the colleges.

Chaffee (1983) posited that fundamental to the collegial model is shared responsibility for the decisions, and that factor is primarily the basic premise under which the collegial institution operates. She contended that the collegial model does not accommodate for controversial decisions. There was indication from the respondents that several decisions were extremely controversial, particularly those related to closing programs and letting staff go. Based on this example, Chaffee's premise holds true. When controversial decisions were made, the management team based its decisions on a reaction to scarce resources centered on new accountability tools that were imposed on

the college. They also relied on the board's mandating and supporting their decision. In this sense, they abdicated the collegial decision-making process for a political process. This is supported when viewed through Bolman and Deal's (1997) political frame. These decisions were extremely controversial and political. In those times of uncertainty, deans and divisions polarized, each looking out for his or her own interest. The divisions that escaped cutbacks could now more effectively negotiate for the scarce resources because they were coming from a position of strength. It did not appear there was a great outcry because these decisions were made despite the fact that they were not based on a collegial decision-making process. Clearly, the presidents espoused the collegial model as the basis for decision making; however, during difficult times, they reverted to a political model.

Bess (1988) used an established organizational theory to describe collegial decision making. He suggested that collegiality is comprised of three dimensions: (a) culture, (b) structure, and (c) behavior. How individuals behave in an organization is controlled by both the culture of the organization and the decision-making structure. He noted:

> *As a culture, collegiality comprises an unevenly distributed set of beliefs about what is appropriate behavior in the organization; as a decision-making structure, collegiality is a formal, manifested set of organization rules for decisions to be made; as a process, collegiality is a behavior set governing individual action and interaction among faculty and between faculty and administrators, and is guided by both culture and structure.* (p. 86)

Including culture into the decision-making mix adds another dimension in understanding the decision-making process used at the colleges under study. There appeared to be a strong and similar culture at each college based on the respondents' comments. That was partially due to their sector within the system and primarily due to

their mandate of serving the community and of being involved in the community. They all felt ownership toward the college, but the survival of the college was also in their own best interests. Their college's culture now reflected this and was enacted through how decisions were largely made. There were strong indications of a willingness to connect with the leadership in complex times and to have that leadership undertake the difficult decisions.

It was found that the colleges seek a collegial process, but the participants also understood that many of the decisions were made for purely political or practical reasons. This is consistent with Leslie and Fretwell's (1996) contention that another form of decision making in difficult times may be more appropriate than the collegial model. It was helpful to use Bess' (1988) model to examine the collegial decision-making process as a structure. He indicated that the process is guided by both the culture of the institution and its organizational structure, but it is important to note that decision making based on his description is reflective of the structural frame as it relates to coordination and control. This is a valid premise even though the structural frame normally views organizations as being relatively stable and having minimal uncertainty. Two other descriptors of the structural frame underline this assertion. First, rationality prevails and decisions are based on established goals. In the case of the colleges, the goals were primarily determined externally. Second, specialization of labour emerged. In this instance, college staff were willing to have the leaders make the difficult decisions. This provides further insight into moments in time when collegial decision making is indeed as Bess purported: It manifests itself through a set of organization rules.

Accountability and fiscal responsiveness as examples of organizational characteristics do not fit neatly into Birnbaum's (1990) description of the collegial organizational structure. For that analysis, either Birnbaum's bureaucratic or political typologies with their focus on organizational process and negotiation, respectively, would be useful to understand the dynamics of decision making around those issues. Similarly, Bolman and Deal's (1997) structural and political frames provide another clear view. To enact the business plans, the academic planning committees need to be central to the process. It is at this level where the tenets of the structural frame related to coordination and control of resources are key. As well, considerable jockeying based on negotiation for these resources is a tenet of the political frame. Although bringing those closest to the decision together could be seen as collegial, the actual decision making is based on the business plan goals and objectives, and it is at this level that the various interest groups must negotiate for their share.

It was found that the type and use of KPI data collected and how it is used in the scorecard impact decision making. Institutional business plans are aligned with the department's plan, and processes are established to reflect those goals. These are particularly obvious as they relate to accessibility, institutional research, and services to students. As denoted in the structural frame and evident in these examples is a clear focus on facts and logic. This is in diametric contrast to the human resource frame that focuses on individuals and not data in making decisions. However, if there is a culture of trust and a clear sense that the colleges are dependent on their human resources, a middle ground could emerge on decision making that achieves the principles underlying both frames.

It was also found that colleges now use data generated for the PE to create other data that are used to provide objective information for internal college decisions. This is an extended use of the data that saw the colleges following the department's example. As learned during the interviews, program-level KPIs have been extracted and are now in use as a program assessment tool following much the same model as the PE report card. This has not been done at all the colleges, but it is symptomatic of the structural frame in which the structures are made to fit the circumstances. The intent is to focus the academic programs on how well they measure up to the key goals set out in the business plan, and, as was explained, it is not meant as an evaluation tool.

Rationality based on data dominates the decision-making process; if decisions are made at a system level based on KPI data, then the logic would hold true that decisions can also be made at the program level. What is now emerging is an implicit connection between the department and the colleges based on the performance based funding (PBF) goals and objectives that guide decision making for academic programs. This is not descriptive of collegial decision making. It is in exact contrast to the human resource frame that values human needs over the needs of the organization. Similarly to colleges being comprised of more than KPI numbers, programs are being reviewed by one common denominator, their relative scoring on program-generated scorecards. This has the potential to ignore the contributions, energy, and talents of individuals as premised in the human resource frame in favour of externally generated goals. It was found that decision making is impacted by the PE and that colleges have lost some autonomy related to decision making.

Two related factors also emerged that had an impact on the decision-making process. It was found that the PE in combination with other targeted envelopes and new sources of revenue generation has had an impact on decision making related to restructuring activities. It was also found that the institutions have viewed the department as trying to help them by putting money back into the system through targeted envelopes. However, this is seen as too little, too late, and too noncommittal to build for the future. Viewed through the political frame, there has been a consistent effort by the department to guide decisions based on allocation of resources. The sense of "flavour of the day" programming emerged and institutions responded, whether those initiatives reflected their needs or not. A tremendous amount of creativity emerged to fit program and institutional initiatives to these envelopes. Over time there was recognition by the department that these initiatives required massaging to reflect unique circumstances; that was positive. However, a number of obstacles got in the way of rapidly moving initiatives through the system, most notably, decisions made on funding that did not adequately reflect the true cost of the initiatives. From a structural perspective, institutions purported that at the end of the day rationality did prevail. The department responded with new initiatives accompanied by funding that appropriately recognized the true cost of those initiatives, and the structures put in place did indeed reflect the circumstances.

It was found that the values subsumed in the PE were those supported by both PSIs and the department. Factors that traditionally impact the decision process have included, but are not limited to, adequate resources, alignment with the strategic plan, and reflection of the college's values; decisions must be seen to be linked to the core values of the college. Viewed through the symbolic framework, the values have been perceived

to be common between the department and the PSIs. As the business plans continued to be more closely aligned to the departmental plan, the values inherent in each new iteration have become the rhetoric for the organization. The business plan became the symbol, and all the associated planning and communication documents based on those plans have reinforced the values. Individual's worldview in times of uncertainty can become focused on rhetoric as a symbol. Rhetoric has been made tangible through planning documents that espouse certain values that are easily internalized during ambiguous times.

Findings and Discussions Related to Question 2

Question 2 asked, "How has institutional governance and autonomy changed as a result of the Performance Envelope?" It was found that institutional governance has changed since implementation of the PBF and that boards are more directive than they had been in the past with respect to system goals. Autonomy has also been impacted. Each college has implemented a policy governance model: The boards have all operated at the policy level and not at a strategic level. It was suggested that board chairs have appeared to be more political than they had been in the past, but it was unclear as to whether that was a characteristic accorded to the position since implementation of the system cutbacks or a characteristic that could be ascribed to the individual.

Boards have ascribed a new importance to government relations, and it has been determined within the colleges that boards have a vital role to play with the ministry. There have been no formal structures in place for boards to regularly communicate with the ministry other than what has been expected of them under the Colleges Act. Key changes that have now impacted the colleges are from the ministry and are

communicated to the board chair normally through letters. The board chairs have also met with the minister and departmental officials as deemed necessary by either party. They have represented their college's interest and concerns at the system level as opposed to the college level in keeping with their policy governance philosophy. They have been the first point of contact for the department when new initiatives have been announced. Boards have been made aware of significant changes that have impacted the college through interaction with, and reporting from, the president and senior executive. This usually has taken place during scheduled board meetings. If issues have emerged that are deemed important for board involvement, either internally or externally, it has been the responsibility of the president to convey this. Boards have not been involved in how the college's goals and polices are operationalized.

The boards have been aware of the department's goals and objectives as they have examined funding initiatives such as PBF from a strategic level. They have also been fully aware that they represent the public's interest as a primary concern. When viewed through the political frame, it is evident that divergent interests have been at play. Boards have responded to the government's initiatives, which may be in conflict with the individuals in the organization. During chaotic and uncertain times the pendulum of power swings towards the boards and away from college personnel. However, due to term-certain appointments of board members versus the sustainability of the college, the boards have not ignored the impact that significant funding changes have on the college. The boards have worked with and through the president, who is a member of the board. They have recognized that the president is the college leader, who represents all the interest groups' views and therefore has a broad perspective on the college situation. This

has been taken into consideration when developing strategic plans. The college community has not been disregarded by the board, but members have realized that they must pursue the interest of the government given the reality of scarce resources. However the board has understood that the needs of the competing interest groups must be satisfied. This is consistent with the political frame that suggests that the focus is "not on resolution of conflict but on strategy and tactics" (Bolman & Deal, 1997, p. 172). Boards have been looked at within the college community to provide direction and support to the colleges generally and to the executive team specifically, depending on the issue.

At this point in the implementation cycle, it has been found that the PE does not have the same impact on the board that it had when performance-based funding was originally introduced. The board currently provides high-level strategic decision making and does not direct the implementation activities associated with operationalizing the PE. As stated by Dolence and Norris (1994), "Strategic decisions are those that align an organization with its changing environment. To be effective, a strategic decision must influence action at all appropriate levels within the organization" (p. 63). This is reflective of the policy governance model used by the college boards.

It was found that the PSIs have fully embraced the concept of accountability and have found positive aspects stemming from the initiative that benefited their institutions. It was determined during the study that accountability and autonomy are inextricably linked. Under the direction and support of the boards, the colleges have fully complied with the department's planning activities and accountability measures. As explained by Ingram (1993) when he described the changing role of boards, there is now an "increased politicization of higher education in the name of strengthening accountability and

improving academic quality" (p. 9). There is no doubt about the success of the former in these colleges, but there has been no clear evidence on the latter. Accountability measures, easily viewed as political, can also be examined through the structural framework. They can be viewed as rational, and the problems that arise associated with them can, as Bolman and Deal (1997) suggested, be resolved through restructuring. Indeed, as plans were put into operation, there was considerable restructuring within each college. The restructuring activities were seen internally but were also watched externally by the department and for those interested members of the public, another aspect of the structural frame. The restructuring became a fait accompli and a way of dealing with a changed environment. The board in this instance provided direction based on prescribed scenarios. It was found that there has been a tacit willingness to accept political decision making as part of system redevelopment. Autonomy is impacted when the board adopts strategic positioning initiatives that are not based on mandates and a vision of the future derived by the college. The strategic position has been impacted by the ministry's goals; thus autonomy has been influenced.

Presidents, as members of the board, play a key role in college governance. As noted by Kefford (1994), one highly sought after leadership function is the ability to make decisions that will benefit the organization and optimize its choices. Roueche, Baker, and Rose's (1989) research on transformational leadership over a decade ago was predictive of what has been unfolding for college leadership in recent times. They posited that "the challenge and responsibility of community college leadership is to create a vision for excellence within the context of institutional problems and characteristics" (p. 11). They further acknowledged "the ability of the community college CEO to

influence values, attitudes, beliefs, and behaviors of others by working with and through them in order to accomplish the college's mission and purpose" (p. 11).

Presidents have a responsibility to both the board and their college. It is because of this dual role that some presidents perceived that the department has been given too much credit for restructuring the system to become more accountable and accessible. They did not believe that they have been any less autonomous than they had been previously as publicly funded institutions; although, admittedly, they acquiesced that in certain areas they have been more accountable. As Birnbaum (1999) commented, "Successful presidents are likely to be realists rather than idealists. They accept a decentralized structure, conflicting authority systems, and loose coupling as inherent organizational characteristics and try to work within these constraints." (p. 336).

It was found that there was concern regarding the erosion of institutional autonomy due to the financial reporting that has been requested by the Auditor General (AG). This is a future area of concern for PSIs. Presidents and their senior executive saw this trend continuing to emerge. The presidents also saw the department's goals and the college's goals as system goals. They believed that the department articulated in their planning documents what the colleges have always worked to achieve. This was the only key area where there was a divergent view from the senior executive staff. Viewed through the political frame and structural frames, these are inevitable unfoldings; viewed through the human resource frame, people and organizations are co-dependent, and that is what is emerging.

Findings and Discussion Related to Question 3

Question 3 asked, "How closely aligned are the college's strategic goals with the goals set out by the Ministry of Learning?" It was found that colleges do purposely align their business plan with the department's plans. Perhaps the singular most interesting finding was not only how closely college's goals are aligned to the department's, but also that the colleges agreed that their strategic planning processes have improved considerably under the guidance of the department. The system goals laid out in the PBF are embedded in the department's business planning documents, and attaining performance related to system goals had financial incentives attached to them. It was found that the PE funding, albeit a relatively small amount, was seen as important to the colleges. It acted as a motivator for colleges to align their business goals and objectives with the departments given scarce resource allocation.

Other funding envelopes are similarly structured. As well, recent one-time funding allocation to resolve historic equity issues or to provide capital funding for strategic plans that reflect system goals are other clear examples of the department rewarding and also guiding system development. Leslie and Fretwell (1996) provided the following insight: "In flush times, the logic of compromise and distributive equity in the use of resources makes a certain kind of sense. Giving everyone at least a small piece of a steadily expanding fiscal pie may be good politics, but it is bad management" (p. 281). The recent announcements to ministries to closely monitor their budgets have invoked a fear of the bad times returning. Gumport and Pusser (1997) surmised, "The political economic demands for change reflected in declining state appropriations are part of a

structural shift in funding for higher education that goes beyond belt-tightening and is unlikely to be restored in the event of general economic recovery" (p. 8).

It was also found that the colleges, as resource-dependent institutions, have put priority on the department's goals vis-à-vis institutionally generated goals. College staff indicated that they have also developed institutional goals and directions that specifically relate to college priorities based on criteria determined by the colleges. These were, however, few and far between and were only mentioned, but not focused on. It was suggested that the department's goals are simply the goals of the college and generally the system encased in a reporting structure. That structure has provided a focus for institutional planning based on a business model that did not exist before and is now generally viewed positively. The college's seeming willingness to comply with business planning criteria can be attributed to resource-dependency issues related to inadequate system funding and instability associated with targeted and one-time funding. Hardy (1996) warned of the strain faced by resource-dependent institutions as they comply with the stringent demands by government. She indicated that the natural tendency for colleges is to create planning mechanisms and the accompanying control structures to meet those demands. She also cautioned about centralized decision-making structures that have emerged during times of fiscal restraint. Hardy did not view these as impacting autonomy; rather, autonomy is impacted when institutions are unable to pursue their own agenda.

Viewed through the political frame, the aligned strategic plans focus on the interests of government primarily, which places the institutions in a precarious and often tentative position. The department has been leading the system, as is evident in their

centralized system planning. They have kept the institutions busy and focused on these goals, leaving little time and few resources available to pursue an institutional agenda. The department has been able to build coalitions within the colleges with senior decision makers. The vice presidents have had close contact and frequent interaction with the department. The department has worked with institutions from a position of power so that they have the strongest negotiating stance. There has been a sense that the department understands and appreciates their concerns on a college-by-college basis and responds to these concerns. It has been seen to be supportive of the colleges, which has put them further into a position of power and authority. Through their consultation activities, it has elicited feedback involving the colleges but has persisted with its own planning. There is little documentary evidence that it has revised its planning other than minor tweaking and refinement to reflect current PSIs' concerns. The department has stayed the course and has not moved far away from its original stance as it impacts accountability and resource planning. The department has been empowered; it owns the resources. The institutions have not been empowered in these processes.

From a structural perspective there is an agenda from the department that must be followed. A number of control structures have been in place, and these have continued to be modified to the point where the department is now moving the PSIs to comply with its planning cycles. There has been external pressure to comply with the reporting structures and an increased focus on planning processes and data collection. This focus has become part of the colleges' mode of operation, and those within the colleges have now viewed themselves as being in control of their own planning. The reporting mechanisms have created a false sense of stability in the environment. It is believed that once they comply

with the requirements, resources will be allocated to them based on that. That feeling of stability is tenuous and will be quickly replaced by fear once the environment shifts due to new challenges. There was an expressed belief that someday "the other shoe will drop."

The human resource frame allows for another perspective on the relationship between the department and the colleges and how that plays out with alignment of business goals. Cooperation is evident, and all those involved work toward the system goals jointly. In this scenario there is a common enemy: the government with its easy ability to usurp all planning activities based on a shift in policy. Ongoing consultations have been evident, and because both players have been working toward the same strategic goals, they have a vested interest in developments, and each has participated equally in decision making. Informal alliances between the department and the senior college executives have evolved, and there has been a closer connection on planning. There has been a sense that together they have continued to develop the system jointly. Due to consultation, ongoing communication, and agreement on business-goal alignment, there has been a sense of more openness and mutual support. There was support for this human resource view in some of the comments and examples used by interviewees, but there was hesitation to fully embrace this as the reality. This frame appears idealistic in turbulent times, but it has been observed by Dennison (1995) that the department and the PSIs have traditionally had a good relationship. The human resource frame in this instance depends on the culture of the groups involved and absolute trust.

Findings and Discussion Related to Question 4

Question 4 asked, "What structures were put into place to accommodate the Performance Envelope?" Richardson, Bracco, Callan and Finney (1999) suggested that today's PSIs are well advised to stay in step with what is occurring at the policy level as the system shifts from an institutional focus to one that is dictated by fiscal and market-related concerns. The dramatic shift in government policy led to the development of the PBF mechanism. It was found that the related policy implementation actions, specifically targeted funding envelopes, have been permanently fixed for the near to long-term future.

It was also found that government policy decisions and subsequent actions by the department have continued to be the driving force for system development. This has become even more evident over the years as targeted funding and the structure and controls put in place to manage it now provide the backdrop for any strategic decision made at the colleges. No institution is immune from these structures.

The complicated and still controversial KPIs described by Kerr (2000) as a policy implementation tool were the first piece of evidentiary data that began the fundamental change in how colleges approached their planning given the changed environment. This was compounded by a series of initiatives that required changed reporting structures. Templates were developed for report business plans and financial results. Extensive data were required on facilities and their use. Reporting manuals were written, and institutional researchers were hired to deal with the demands. Reporting documents and software programs were further refined, placing additional financial burden on the institutions to develop internal structures to collect, produce, and make sense of the data.

Reporting comparison with others in their sector raised issues and concerns that diverted attention from institutional goals.

Colleges adapted and over time have found use for much of the data internally. Data reporting permeated the institutions. PSIs found that much of the data that they collected could be modified to support institutional decision making. Throughout all of this, institutions were kept busy focusing on rapid responses to additional data reporting. Decision makers liked the quantitative data; and, as found out during the interviews, these data are now used to replicate the performance report card at the program level. Little has been done during the years to gather qualitative data, and it appears that the PSIs are generally satisfied with the story that the numbers tell them. There has been little reference to teaching and learning and to quality. These are not areas where numeric data will tell you how successful you have been, yet the only visible public documentation on these issues has been the reporting on student satisfaction and employment rates. Accountability has focused on numbers, and that is the policy direction of the government. Richardson, Bracco, Callan & Finney (1999) suggested that today's PSIs are well advised to stay in step with what is occurring at the policy level as the system shifts from an institutional focus to one that is dictated by fiscal and market-related concerns. Indeed, this appears to have been the approach followed by the colleges.

Perhaps the most undemanding frame to gain perspective on how to make sense of the variety of changes in reporting structures is through the structural frame. The department by virtue of its organizational design has worked in a traditional, bureaucratic manner. There has been a visible hierarchy in government and throughout the ministry that has worked its way through the system with respect to lines of authority and lines of

communication within the department and between the PSIs and the department. Ministers interact with board chairmen, presidents interact with the deputy minister, and vice presidents interact with the assistant deputy ministers. A new level was added in the department after the reorganization that reflected the personal style of the deputy minister, whose focus was seen as more external than internal. An executive director position was created, and this person acts as a buffer between the vice presidents and the assistant deputy ministers and also works with the academic deans. There is a clearer sense of top-down leadership in the department than there is in the PSIs. The more regular interaction between the department and the colleges has been seen as generally positive. Systems theory suggests that the department's survival depends on its ability to adapt to the environment in which they now find themselves, and this particular ministry has been extremely adept at doing this. The colleges followed suit.

In the department's effort to respond to accountability, a bureaucratic mindset has emerged. There has been an overwhelming focus on numeric data generated by the KPIs as a control mechanism and on the supposed reality those numbers reflect. The PE results continually reinforce the business plan goals. When issues have emerged that the department does not have the authority to address and are outside of their boundary of control, the colleges have deferred to the government goals, reporting structures, and policies as a means of deflecting responsibility. The department has had a coordinating role in the system, and that has been more obvious as time goes on. The historic guidelines for system development clearly spelled out their involvement, but those were at the program initiation and curriculum level, an area that rightfully, they admitted, is now not within their domain at this point in system development. Moving toward

outcome-based assessment, the department has suggested that the institutions now have more autonomy on decisions that impact them internally. They now want to be seen to be working with the PSIs on problems as they also learn to maneuver this new environment.

The department has legitimate authority over the PSIs given to them by the government and managed through allocation of resources. The department continually changes reporting requirements to fit new government realities as they have been mandated to do, but the focus does not necessarily reflect institutional realities. The current environment is one in which there is little conflict seen due to resource-dependency realities. This is tolerated by the PSIs, but, as some interviewees acknowledged, they are looking forward to the day when the government is a minority stakeholder in the college's business.

The issue of new structures that were put into place to accommodate the PE from the political perspective focused on two aspects of the political frame, coalitions and power. As coalitions develop based on the ultimate goals of the system, it was noted that the goals may be clearly defined and agreed to, but the department is unable by itself to move these forward. If it forced these issues, an environment fraught with conflict would emerge. There has been a need for coalitions to emerge between these two interest groups. Coalitions have also developed within the PSIs. Internal coalitions have emerged to address scarce resource issues. This puts them in a far better position to negotiate for these resources internally if the right coalitions emerge.

Power issues emerge in the form of authority and control of resources. This reflects not only the department's use of power, but also the PSIs' use of power internally as budgets are developed and plans to achieve goals are undertaken. As was clearly

mentioned during the interviews, the business plan process has forced the PSIs to do a better job of planning and focus on goals that they had not been able to articulate in a way that produced change. A shift in the power base emerged for program areas highlighted in the targeted funding areas. Examples were given during the interviews of building new, targeted program offerings based on course selections that had already been developed in other areas and were now refined and customized to work with these new programs. These were not activities easily undertaken in the past due to academic control over curriculum by program areas. This was seen not only as a logical exercise but also as a strategy for survival in the wake of minimal new resources and increased demand for accessibility in targeted areas. What resulted was increased bargaining power for those with expertise in these areas and for those guiding new development.

The performance report card has become a symbol for both the department and the PSIs. It is now what is pointed to by both of these groups when they want to indicate to the government and the public their performance based on outcomes related to accountability and system goals. It was stated several times during the interviews that the report card is trotted out for specifically that reason. All of these outcome-focused indicators are massaged to reflect that success. The department would clearly not use indicators or a reporting mechanism that would have it report on anything but success related to the initiatives. When the uninitiated dig deeper, they will find that the reporting card is woefully lacking in painting a true picture of what is happening in PSIs and the system. But the report card has become a symbol for these groups and points to their effort to respond to accountability. As Bolman and Deal (1997) stated, a symbol provides direction and meaning in times of chaos. The PE report card allows individuals internally

and externally to have, as one interviewee stated, a common vernacular throughout the system. It has also become a common public relations tool as well but gives a false sense as to the health of the system.

Findings and Discussion Related to Question 5

Question 5 asked, "What other changes occurred at the college as a result of the Performance Envelope?" It was found in addition to the structural changes already discussed that (a) student recruitment, (b) student services, and (c) institutional research were the primary areas of change. It is interesting to note that these are all directly related to the attainment of a top score on the performance report card. This is another clear indicator of the impact that the PE has had. Increased recruitment activity is in response to the demand for increased FLEs as mandated by the ministry. Increased services to students are linked to outcomes related to the satisfaction indicator. Included in the services to students are career placement services. This is explicitly related to the employment indicator.

In addition to these, other changes were mentioned throughout the interviews as examples of changes that the participants had witnessed since the implementation of the PE. These include change associated with their program mix as it relates to FLE growth in existing programs. Restructuring at the management level was also undertaken to reduce administrative costs in an effort to perform well on that indicator. Although it accounts for only a minimal percentage on the report card, it was one more indication of the impact that the PE had to enable change in the PSIs. A major change occurred when the PE results were announced publicly. Previously, the results were announced individually to the institutions, but they are now made available to the internal college

community and the general public. This has become a positive thing. It was found that the department and the colleges were both beneficiaries of improved public relations.

There is also a changed mix with respect to instructional staff. There has been an increase in the use of contract instructors and in some instances reference to an increased willingness by faculty associations to examine how they classify staff as an example. With respect to college staff, it was found that PSIs do not have the resources to attract and maintain highly qualified personnel based on current planning by the department for funding into the future. The planned funding is not compatible with system goals. There is now more emphasis on costing back services to the departments that use them. Other visible changes identified with the PE but not exclusively associated with it and those that were discussed in the findings were the move toward greater use of business language and models and increased outsourcing of institutional businesses.

One key change to institutional life was the decreased amount of resources made available for (a) infrastructure maintenance, (b) infrastructure renewal, (c) investment in learning technologies, and (d) compensation for staff. This occurred at a time when each college was mandated to increase accessibility. Learner space decreased significantly even with the new demands on these institutions. The ability to earmark capital investment in equipment also decreased, putting the PSIs at a disadvantage to be able to provide current training, particularly in the technology area as needed by industry.

These changes emphasize the precepts of the structural frame. For each change identified there is a corresponding system goal that was addressed. New structures were put into place by the institutions to accommodate for a changed environment. Restructuring occurred throughout the organization and the academic areas. How

programs were delivered has changed, given the focus on outcomes. There is an increased focus on service and a clear move away from burgeoning staffing costs: Contract staff are now considered a significant part of the equation. There was early reference in the PBF planning documents that spoke to this point. Bolman and Deal (1997) emphasized that the "structural frame is not inherently as machinelike or inflexible as many often believe" (p. 39). This frame accommodates for flexibility that is indeed evident in the PSI environment. The department, through a structural lens, stated that the PSIs are more efficient, have increased quality, are more flexible, and perform at a higher level than they had previously. Many of the interviewees agreed with that assessment. They both debated where to assign the credit for these changes.

It is important to look through the human relations frame because each change noted involved people in the organization. Since implementation of the PE there has been an increased focus on processes, data collection, and improved numbers. There is a relatively minimal focus on the impact on staff. It is anticipated that staff will be looking for substantial settlements, and as it now stands, the colleges do not have the resources to fund them. It was indicated that up until this point the colleges' relationships with their staff have been very good and that staff do enjoy and like the environment. The interviewees expected that that will start to change if there are not appropriate wage settlements that recognize all the sacrifices that staff have made on a personal and professional level for the college, inclusive of reduced salary and increased workload. If the relationship shifts, the disharmony at individual colleges and in the system will negatively impact the ability to achieve system goals. There was little mention throughout the interviews about college staff specifically, but there was a sense of a

collective "we" when college initiatives were discussed and examples explained. It is evident that college staff are held in high regard by the PSIs, but to avoid flux in the system, the interviewees knew that regard must be reciprocated. The colleges recognize that the future may be more tenuous if there are not funding changes that address the concerns of their staff. The human-resource approach is a valid framework to analyze issues when organizations are dealing with declining and scarce resources.

Findings and Discussion Related to Colleges' Ability to Plan for Their Future

There was a series of subquestions that were related to the specific research questions. These address issues associated with colleges' ability to prepare for its future.

Subquestion 1

This question asked, "What is the colleges' ability to develop strategic plans unimpeded by external influences as the driver?" It was found that the PSIs' lack of practice with strategic planning allowed the department excessive influence in guiding the colleges during early restructuring. Restructuring, as laid out by Myers (1996),

> *is more forward-looking in its attempt to position the institution to meet better the demands of emerging challenges and opportunities, . . . with a stronger reliance on the tenets of strategic planning—mission reaffirmation, environmental scanning, goal formation, and evaluation and revision.* (p. 70)

Gumport and Pusser (1997) posited that restructuring is a "managerial imperative, emerging from political economic demands for cost-cutting, efficiency, productivity and competitiveness" (p. 5). It was clear that the PSIs took their lead from the department when they developed their initial business plans. Today they are as adept at strategic planning as a process as the department is, but their planning is impeded by the

department's agenda related to system goals and the department's inability to commit resources that will allow the PSIs to carry out their plans.

It was found that the department adopted a centralized planning philosophy related to the administration of PSIs through use of its planning mechanisms, but that term was never used. Schmidtlein (1990) reported on Dooris and Lozier's findings that "the politics of resource reallocation . . . may require a more centralized planning process and less open communication of options" (p. 88). This is an area of concern that was expressed by several interviewees. The previous guidelines for system development have been replaced. Today the principles, goals, and directions that are outlined in the PBF mechanism guide system development and are enacted through the business planning documents and allocation of resources, both of which center around the department. Today the department's planning must take into account other ministries, specifically Infrastructure and Treasury. The auditor general is also playing an increasingly prominent role in how PSIs report their annual results. There is centralized planning within the government as well, primarily controlled by the agenda of the extremely influential Treasury Board, which has the power and authority to determine how the province's resources are to be allocated. Evidence of this lies within the accountability policy and subsequent implementation of targeted funding initiatives. Until there is a point in time when government allocations truly reflect a minority interest in PSIs, as suggested by some interviewees, then the college's strategic planning will be impeded. Until such time, the PSIs will be required to respond to the priorities as identified by the various levels of government, although they have not fully acquiesced to the AG's request.

Subquestion 2

This question asked, "What is the colleges' ability to fund for growth and accessibility?" It was also found that funding instability is partially attributed to unclear direction by the department related to the inability to confirm secured funding past a one-year timeframe. Additionally, it was found that the combined targeted envelopes do not provide relief for the ongoing inflationary pressures that impact each college. The recent MLA Funding Review recommended a 3% increase in the base funding grant each year, but that amount minimally addresses inflationary pressure and does not address funding for accessibility.

Opportunities to garner additional revenue have been limited. The corporate fundraising pool in Canada is not particularly large, and involvement of corporations on campus is relatively new and fraught with its own issues. Tuition caps remain in effect, and even if they were lifted students might then not be able to afford the programs. Alberta's postsecondary tuition has continued to rise dramatically compared to that of its provincial counterparts, and it is now among the highest in the country. Cost-recovery programs that are now popular in the system as well as corporate training programs both depend heavily on a robust economy. Large student loans for college students are not a particularly attractive option because often the student's long-term earning power does not warrant carrying a large student debt. There is a multitude of social issues related to how students finance their education. Ancillary revenue initiatives often compete with private enterprise, and this approach has not been welcomed within the business community. Businesses note that there is unfair competition when PSIs, as publicly

funded institutions, compete directly with them even when PSIs indicate that the initiatives are on a cost-recovery basis.

Accessibility still remains the overarching system goal. From a human-resource perspective there is little stomach within the PSIs to believe that further restructuring could be undertaken to fund for growth. If a next wave of restructuring is required, it may concern merging or closing PSIs or some of their campuses or possibly increasing staff workload as some possible scenarios. It is unlikely that in the near to far future PSIs will have the ability to be totally free of government resources or to have them in a minority position where they will have little impact. Experience to date has shown that even as the amount of base funding continues to decrease, there was little evidence found in this research to suggest that colleges did not pursue every opportunity to garner any government funding available.

The research showed that the college's aligned their priorities with those of the system. Colleges do not have the capacity or endowed funds to see them through a financial crisis or downturn. Community colleges are seen as a central public institution that will be viewed as such into the future. Private community colleges would have as much allure to the public as private healthcare clinics at this time. There will need to be substantial rethinking for funding of publicly supported education at all levels.

Subquestion 3

This question asked, "What is the colleges' ability to strive for sustainability that reflects its vision?" It was found that without the department prompting through the PE and other funding initiatives, the PSIs could have pursued other goals, those that are closer to their individual mandates. But given resource dependency issues, this would

have been difficult to undertake. It was also found that interviewees believed that the amount of funding for the system is unsustainable given the system goals. And, as has been determined, the college participants believed that the system goals and the college goals are the same; who arrived at them first is a question that could be explored. Colleges did take some risks. They sometimes launched programs prior to knowing whether they would receive the funding from one of the targeted envelopes. They were usually quite sure that the funding would arrive, but not absolutely positive.

As one interviewee noted, PSIs have gotten over their mandate confusion, so they now have a clearer sense of their vision for the college's future. They are able to articulate their strengths, uniqueness, and contribution of their college within the sector. Given the precarious financial future for the colleges, it was observed that the college leadership is relatively comfortable in its roles and exhibits a level of confidence in its ability to lead the college through whatever obstacles or opportunities await them. Some related that they have existed under adversarial conditions since the mid-1980s; that there is a sense of "been there, done that"; and that they are no strangers to a system in a state of flux. All conceded that the resource issues will drive their approach in planning for growth and accessibility, but the interviewees did not elaborate on what their approach might be.

Within a structural framework, institutions would manage their environment and develop a vision that is reflective of their core purpose. Viewed through the political frame, leadership within the college should merge into strong coalitions. These coalitions would have the ability to develop creative opportunities to fund for sustainability based on the colleges' vision, but they would require the right type of leadership to allow them

to focus on the task. The blending of these frames in this instance suggests a multipronged approach to plan for sustainability that truly reflects the colleges' vision. Colleges need to get on the government's radar screen. What will be key for them is staking out their claim in the list of priorities about which government is concerned. There are numerous studies done on the contributions made by colleges to higher education, society in general, and industry specifically; but they always appear as an afterthought when government talks about education. The colleges know that they are sandwiched between the K-12, which has a huge piece of the education allotment, and the university systems, which account for the majority of funds for PSIs. Colleges interact with both these sectors and need to be able to focus the government on their unique role within the PSI sector as well their important role within the economy.

The impact of colleges is far reaching and understood in rural areas. Those institutions enjoy complete immersion in their respective communities and are central to them. That advantage is also a disadvantage because they have an even greater struggle to secure resources in the same manner as their urban counterparts. It was found that the Performance Envelope is burdensome to smaller, rural PSIs; and it indeed hinders their ability to improve performance relative to the guiding principles underlying how the award is structured.

Colleges have an ability to survive adverse conditions and indeed appear to be strengthened by them. Increased funding seems to be the easiest solution to solve all of their issues, but it is not as simple as that. What is needed are long-term collective strategies based on input from individuals, government, industry, and other internal and external coalitions. These strategies need to be related to the vision for the individual

colleges and the colleges' vision for the system. From a political framework, power and conflict issues will emerge between the impacted groups. The values of the PSIs were noted to be similar to those embedded in the Performance Envelope, but they do not represent all other values and directions that the PSIs espouse.

Findings and Discussion Related to Other Key Issues Involving the Department

There was a series of issues related to the specific research questions that address the department's effort to further its priorities. These issues are addressed based on the research findings and in no way suggest that they are the views of the department.

Issue 1

This issue questioned the department's ability to promote educational programs in specified areas. Without any doubt, the department has been able to significantly direct the system to undertake programs in specific areas. This reality is more related to the Access fund rather than the PE initiative. However, as the Access-funded programs roll into base funding, they impact the PE results.

Issue 2

This issue questioned the department's ability to ensure that awards are equitably distributed using appropriate indicators that take into consideration the different types of mandates, programs, institutional size, and geographic locations. It was found that the PE did not address costs that varied significantly, depending on mandate and geographic location of the colleges. Efforts were made over the years to redress issues associated with KPI development and to recognize differences in mandates and location. The identification of urban-rural split when KPIs were reported was an early indicator of this.

There was also the recognition that accessibility is more difficult in these areas, and that has also been reflected in the PE. However, rural institutions have a multitude of other issues that need to be addressed. Their position in the community is far different from that of their urban counterparts. The spread and mix of programs that they need to provide and their inability to attract key instructional personnel in some program areas due to their location and salary issues are only the tip of the iceberg for these institutions. Equity allotment based on recommendations from the MLA Funding Review was a welcomed bonus by those who received it. But this does not move the system along as it relates to their other concerns. There is a lingering question regarding the PE as to whether or not it was an exercise in accountability as well as one in political maneuvering.

Issue 3

This issue questioned the department's ability to address the fluctuations in the educational system that are tied to economic growth or to the downsized areas of the economy. Through the Access Fund the department has successfully steered the colleges with respect to providing funds for targeted programming. That reflects one side of the equation, growth in emerging areas. It does little to address downsizing and shifts for skills in the economy. Programs that are in low demand continue at many PSIs. How the department funds colleges and the heavy focus on continually increasing FLEs does not provide incentive for colleges to move out of low industry-demand programs. The amount of resources that they might save reducing FLEs in one area does not provide sufficient savings to launch a program with equal or greater FLEs in another area. If their FLEs drop below the prescribed level, they will lose further funding. Until a funding

adjustment is made available, there is little incentive to respond to program changes and redistribution of FLEs. This is an area of concern that needs addressing.

Issue 4

This issue questioned the department's ability to encourage cooperation between institutions on programming initiatives. There were several interinstitutional initiatives developed during the early years of Access and of the PE. The PE was to reward cooperation, although there was not a defined method to capture those initiatives successfully. Issues arose over which institution counted the FLEs as one clear example that impacted the PE. Over time PSIs worked through specific initiatives that are indeed cooperative, but they are not in the magnitude or number that were originally envisioned. There is recognition in the system, and, as was noted in the MLA Funding Review, this area needs considerable work. The department needs help from the PSIs to develop a model that is workable. Concurrent with this is the Campus Alberta initiative; it highlights cooperation as one of its guiding precepts and appears to be a direction in which the ministry is moving.

Findings Related to the Purpose of the Study

The purpose of this study was to determine whether performance-based funding addressed accountability and improved the province's postsecondary system as determined by the senior college executive team. Specifically, I wanted to learn whether the college sector experienced (a) improved accountability, (b) increased access, (c) improved learner outcomes, and (d) improved quality, as initially planned for when the revised funding model was first presented. I noted these as laudable goals. Based on the findings, it was determined that there is improved accountability and increased access

throughout the system. It was also found that the currency of accountability has not deteriorated; quite the opposite case is the reality. Accountability has been wholeheartedly embraced as the overarching goal of the system, and accountability and autonomy are inextricably linked in this PSI sector.

There was no clear evidence in the research to suggest that there are improved learner outcomes. There was no sense from any of the interviewees that all of the changes that have taken place in their colleges since implementation of the PE actually affected learner outcomes. Most assumed that it had, but there was no evidence to base that assumption on anything other than anecdotal evidence and PE data. However, based solely on high placement statistics, one could minimally suggest that students accomplished what was prescribed for them in their programs. Whether that has changed in the prevailing years since the PE is not clear and is worthy of further research. Similarly to improved learner outcomes, interviewees were unable to state confidently that quality had improved; again, they assumed that it would have given the type and number of changes since implementation of the PE. Quality based on strong student satisfaction results and the increased focus on services to students minimally suggest that it had improved. This research was unable to determine confidently whether improved learner outcomes and quality improved because the interviewees relied primarily on statistical data related to the performance report card and anecdotal remarks by those in their colleges.

Summary

I was interested in the effect that implementation of the PE has had on decision making, strategic planning, and governance in the college sector as experienced by both

rural and urban institutions. It was found that the PE did have an impact on the college sector. There was sufficient reasoned evidence identified during the interviews to support that contention when it is kept in perspective with the other funding initiatives such as the Access Fund and the 21% budget reduction. It was found that the college sector has changed during the prevailing years since the implementation of the PE. Changes were seen in decision making, strategic planning, and governance. It was found that economic cycles and fiscal policy realities are still key drivers in policy development. That reality impacts autonomy. Bolman and Deal's (1997) four-framed organizational design model was a useful analysis tool. Using their model allowed for inclusion of a wide variety of pertinent assumptions that encompassed both research and theory relevant to the current postsecondary environment in Alberta.

Chapter 7 presents a summary of the research and formulates conclusions addressing how decision making and autonomy are impacted by the Performance Envelope funding. This is followed by recommendations and implications based on the conclusions.

CHAPTER 7

SUMMARY, CONCLUSIONS, RECOMMENDATIONS AND IMPLICATIONS

This intent of this chapter is (a) to provide a summary of the research, (b) to formulate conclusions addressing how decision making and autonomy are impacted by Performance Envelope funding, and (c) to present recommendations and implications based on the conclusions.

Summary of the Research

Overview

The introduction of a revised funding mechanism that included a performance component surfaced the belief that autonomous decision making in PSIs was being devolved. PSIs were now being steered by priorities identified externally by government. These priorities were based on the government's business and fiscal goals and put into operation through the ministries' three-year business plans. These measures were in response to public demands for accountability from institutions that are dependent on the public purse for funding. Initially, government reduced the number of dollars transferred to institutions through a budget driven by a deficit reduction strategy that, over a three-year period, inflicted a 21% operations grant decrease, forcing institutions to make radical changes in how they functioned both administratively and operationally. With the introduction of the revised funding model tied specifically to government-determined goals and not necessarily reflecting institutional goals, there was now a clear indication that institutional autonomy was being eroded. An initial concern expressed by educators and administrators predicted that quality education would be negatively affected due to a

focus on increasing accessibility for students, with no new government funding to support these increases. Any injection of new money to PSIs was available through only targeted funding envelopes such as the Performance, Accessibility, Learning Enhancement, Infrastructure, and Research Envelopes. The latter was targeted funding for universities. Each envelope had its own requirements and reporting structure. It was within this backdrop that the research question was formulated.

The Research Question

The purpose of this study was to determine whether performance-based funding, as implemented in Alberta, acted as anticipated as a means of addressing accountability and in the process improved the province's postsecondary system as determined by the senior college executive team. Specifically, I wanted to learn if the college sector experienced (a) improved accountability, (b) increased access, (c) improved learner outcomes, and (d) improved quality as initially planned for when the revised funding model was first presented. I was also interested in the effect that implementation of the Performance Envelope (PE) has had on decision making, strategic planning, and governance in the college sector as experienced by both rural and urban institutions.

The general research question asked, "How has the Performance Envelope, as applied in Alberta, served as an incentive to colleges to make changes that would support both the colleges' strategic direction and the ministry's objectives of accessibility, quality, and relevance?" To address this question, the following specific research questions emerged and guided the study:

1. What is the nature of the decision making process in the college, and how has the Performance Envelope affected the process?

2. How have institutional governance and autonomy changed as a result of the Performance Envelope?
3. How closely aligned are the college's strategic goals with the goals set out by the Ministry of Learning?
4. What structures were put into place to accommodate the Performance Envelope?
5. What other changes occurred at the college as a result of the Performance Envelope?

Related to the specific research question are issues associated with colleges' ability (a) to develop a strategic plan unimpeded by external influences as the driver, (b) to fund for growth and accessibility, and (c) to strive for sustainability that reflects its vision. Other issues are associated with the department's effort to further its priorities, such as:

1. promoting educational programs in specified areas;
2. ensuring that awards are equitably distributed using appropriate indicators that take into consideration the different types of mandates, programs, institutional size, and geographic locations;
3. addressing the fluctuations in the educational system that are tied to economic growth or to the downsized areas of the economy; and
4. encouraging cooperation between institutions on programming initiatives.

The Research Design

The research was a four-site qualitative study that utilized an interview guide to gather data. An analysis of interview and documentary evidence inclusive of the department's annual reports and related planning documents was used to address the research question. The policy environment model proposed by Kerr (2000) was used as the basis for the conceptual framework utilized in the study.

The research was based on data collection from personal interviews with selected college presidents and their academic and administrative vice presidents in the Alberta postsecondary system. The research was limited to the presidents of four colleges and their academic and administrative vice presidents. The respondent group included 13 individuals; the president used in the pilot study was also included. One college was from the northern region, two from a main urban area, and two from the southern rural region. It was anticipated that these respondents' input would provide a balanced view on how performance funding affects the behaviour of their college related to decision making, strategic planning, and governance.

A semistructured, open-ended interview schedule was developed to address both the general and specific research questions. The final questions were grouped into five categories: (a) decision making, (b) change, (c) strategic planning, (d) governance, and (e) accountability. The primary focus of the interview schedule was to elicit responses related to the interviewees' perceptions of the impact that performance-based funding (PBF) has had on the college sector. The interviews were undertaken in April and May 2001.

Data analysis followed. A first level of analysis included reviewing notes taken during the interview and any observations that were recorded. A second level of analysis was undertaken as the interview tapes were transcribed. Once the typed transcripts were completed, the tapes were played again to verify the accuracy of the transcription. The transcripts were returned to the interviewees with a request that they review the transcript for accuracy of their comments and provide feedback regarding changes. Themes did emerge that were initially grouped into major categories related to the interview schedule and to the conceptual framework. Subsequent analysis was undertaken based on the data collected from (a) all three interviewees at each college, (b) the college presidents inclusive of the pilot study respondent, (c) the academic vice presidents, and (d) the administrative vice presidents. These data sets were coded, and a comparative data analysis resulting in cross-data comparisons was undertaken. This process proved useful in assessing conflicting or compatible views among peers and within institutions. It also led to some interesting findings that otherwise may not have been uncovered. Findings were then analyzed using Bolman and Deal's (1997) organizational design model.

Major Findings

The major findings were organized into three primary categories: (a) policy environment, (b) institutional environment, and (c) emergent environment. It was found that the accountability policy and the 21% system cutback had a substantial effect on the PSI system. Although efforts aimed at including targeted funding assisted the PSIs, they did not restore sufficient funding to sustain the system. Government policy related to fiscal concerns and accountability harshly affected system redevelopment. The PBF mechanism has impacted college decision making specifically related to (a) the actual

award dollars, (b) enhanced public relations, and (c) the changed processes undertaken. Interviewees were unable to clearly attribute restructuring activities directly to the PE due to concurrent implementation of other funding initiatives. It was determined that the PE award was seen as relatively small but important to the colleges. Rural institutions were disadvantaged under the PE based on location and their diverse mandates. FLE growth was found to be the key driver for PSIs to achieve top awards; accessibility remains the primary system goal.

It was found that the PBF impacts decision making, strategic planning, and business plan development. Colleges purposely align their business plans with the department's goals and objectives, thus impacting their strategic planning activities and institutional autonomy. The department has adopted a centralized planning philosophy related to system restructuring, and the apparent increased departmental coordination of the system affects college autonomy. There is skepticism surrounding the perceived influence that other government departments have related to institutional autonomy.

When considering the PE, it was found that growth is now an institutional goal as well as a department goal. Not all interviewees saw the convergence of the departmental goals as inhibiting to their planning; they felt that their strategic planning is more focused. The PE criteria related to increased accessibility is now viewed as counterproductive when considering the emerging issues related to (a) funding stability to address planning, (b) infrastructure redevelopment, and (c) human-resource management. The department's continued insistence on business plans that look to the future combined with the department's inability to commit to funding for those plans pose future funding

problems. Institutions now rely on the data generated for the PE when putting together their business plans, and they also rely on the data for internal decision making.

According to the interviewees, current system funding is unsustainable and in conflict with system goals. Current economic cycles and fiscal policy realities remain key drivers in government decisions related to funding the PSIs. It was recognized that funding stability for the PSIs must be part of the long-term strategy for the department if it is to achieve system objectives. Accountability will continue to be the most predominant factor in future system policy.

Conclusions

The conclusions drawn are based on the findings of the study as identified in Chapter 5 and discussed in Chapter 6. They are presented in the same three categories that were used for the data analysis: (a) policy environment, (b) institutional environment, and (c) emergent environment.

Policy Environment

Conclusion 1

Government policy development continues to be driven by fiscal restraint and is well controlled on a macro level by Treasury. The accountability policy continues to exert considerable influence on the Learning ministry and provides the framework to determine the type of targeted funding initiatives that are developed. The ministry is unable to exert pressure on government to gain long-term commitment for funding beyond a year, thus impacting the colleges' ability to implement planning initiatives with a scope longer than that timeframe. This has an impact throughout the system and does not allow for sustainable infrastructure or human-resource investment.

Conclusion 2

The 21% budget cutback overshadowed all other system-restructuring initiatives both before and after the implementation of the PE. Its impact has given it legendary status, destabilized the system, and instilled apprehension in colleges related to funding. Concurrent funding initiatives have kept institutional personnel fully occupied and have diverted attention away from challenging the department on any one funding initiative. There were enough motivators within the web of funding initiatives that satisfied the colleges generally with respect to additional resources. The department was working to ensure that money was put back into the system even if only incrementally.

Institutional Environment

Conclusion 3

The PBF initiative was an external motivator that changed the behavior of colleges. The more public and visible an initiative is both internally and externally, the greater the chance that it will effect change in the way it was intended. Consistency of message and continued focus over an extended period of time are other factors that assisted in effecting this change. The colleges worked to ensure that their reputations as top performers were earned and maintained. Colleges participated fully because there was no indication that the department's focus would waver. There were consistent implementation, consultation, and revision; but the basic precepts, goals, and guidelines remained.

Conclusion 4

The PBF requirements for data collection and submission have become an over-bureaucratized process, rendering concerns by the colleges regarding the department's intention for system coordination. Addressing this process alone will have a tremendous impact on autonomy.

Conclusion 5

The department's decision-making role in the PSI system is diminishing as other ministries take a more pronounced role in areas of accounting and finance. This may be a possible future for the system because responsibilities that formerly were under the auspices of the department now belong to other ministries. The auditor general is requesting that the department provide consolidated financial statements as one of its control measures. The department has not yet complied. Infrastructure is responsible for the PSIs buildings and plant.

Conclusion 6

Colleges have more confidence in their strategic planning ability than had been the case in the past, but their plans are based on the department's goals. The fact that they follow the lead of the department in this key area creates questions on their ability to create and pursue their own agendas. How closely they model the department is also of concern. If a trend develops associated with using the individual institutional PE data in the same manner that the department uses it, then any vestiges of autonomy will be lost. The department's recent business plan guidelines have the ability to erode institutional autonomy in determining its own strategic plan.

Conclusion 7

The college management teams are generally cohesive. Inherent in many of the interviewee's comments noted in the findings, they consistently support the same goals for their organization. They are admittedly more aware of each other's functional area than had been the case prior to the PE.

Conclusion 8

Presidents are viewed by their management teams as dealing with the broad policy issues with the board, the ministry, and politicians and representing the concerns of college faculty and staff to these groups. Interviewees felt that the governance structure was appropriate. Senior management was minimally aware of the impact of administrative and academic practices on the students and on quality.

Conclusion 9

FLE growth is the acknowledged driver for the PE, and it has been leveraged to attract additional departmental resources to the colleges. FLE growth was also the driver to increase supports to students, but it does not recognize other system issues such as capacity based on student headcounts. Also, the FLE formula does little to encourage program rationalization, but rather perpetuates a longstanding problem in the system. Once the required FLE increase is assured, it guarantees top performance for the PE report card. It is unrealistic to expect FLE growth to continue at the rate mandated without investment in system expansion.

Emergent Environment

Conclusion 10

According to the respondents, the system is underfunded. The ministry's inability to guarantee funding beyond one year is in conflict with its demand for three-year business plans from PSIs. This further hampers institutional autonomy and puts into question system sustainability. There is no evidence of a strategic long-term plan for reinvestment in infrastructure or human resources. What now exists is piecemeal and incremental, both of which are in conflict with the system goal related to sustainability.

Conclusion 11

Ongoing consultation processes between the ministry and the colleges related to funding initiatives have resulted in improved communication but have not significantly impacted the strategic directives of the department. There has been more involvement by the department in the college's business than there had been prior to the PE. This has been advantageous for both groups. The interests of the colleges and the department are interconnected. A coordinated approach to system development needs to be undertaken to effectively deal with emergent issues.

Conclusion 12

There is considerable emphasis on the general public and the business community and their importance to the colleges. That did not exist in an impactful way prior to the 21% and the PE. Those initiatives sparked an increased emphasis on friendraising and fundraising. Through these activities the college participants have become more confident about their ability to lead their institutions into the future.

Conclusion 13

There were not sufficient data to determine whether learner outcomes and institutional quality had been impacted as a result of the PE. Continued increased accessibility should be understood as it relates to both of these constructs.

These conclusions were drawn from the data provided by the presidents and the academic and administrative vice presidents. Recommendations that flow from these conclusions follow and are presented in the same three categories.

Recommendations

Several recommendations for practice and for research are put forward based on the findings and conclusions of this study. They are grouped in the three broad areas used throughout the study: (a) policy environment, (b) institutional environment, and (c) emergent environment. Each recommendation is followed by implications for the senior academic practitioners and recommendations for further research.

Policy Environment

Recommendation 1

Conclusion 1 suggests that the department does not exert the leadership required of it to represent the needs of the postsecondary sector to government. A strong link between senior college administrators, their boards, and the department should be developed. This leadership group must educate and work with the policy makers on solutions that strive to attain a sustainable PSI system. Working cooperatively, they must demonstrate effective leadership for the system that will place the system in a proactive as opposed to a reactive circumstance. Ideally, representatives from the K-12 and

university sectors would be encouraged to participate in discussions and planning with them. There needs to be a coordinated effort on new policy development.

Implications for practice. There is an evident disconnect based on the data between the PSIs and the ministry and the ministry and other ministries as it relates to developing and putting business plans into operation. The former AECD's position has devolved since the amalgamation with the K-12 system. What interviewees thought was that increased system coordination by the department may be more adequately described as increased centralized coordination by government because other ministries now impact what unfolds in the PSI system. This could weaken the ministry's position. The PSI's focus since 1993 has been on its ability to garner resources to lessen the destabilizing impact noted in conclusion 2. Those efforts have resulted in incremental changes only. The system has moved past the point where this will be effective to deal with the emerging issues.

It was found that there is a modicum of trust that has developed between the PSIs and the department; the timing may be right to maximize on this relationship. As an informal coalition, together they have an opportunity to advance the priorities of the system. As the intermediary between the PSIs and the government, the department needs to take a leadership role with the government in preparation for any future policy making that will affect the PSIs. Connecting with the PSIs will move them toward that objective. Involvement of the K-12 sector and universities will address future strategic issues for the entire education sector.

Recommendations for further research. Further research could examine a revised policy development model that is premised on inclusive stakeholder involvement

and policy-setting activity in a volatile environment. As the policy development model now exists, it is premised on the social, political, and economic environments; but there is no indication that the resulting policies reflect a sustainable future or truly reflect the interest of the education sector. Research in this area would benefit the practitioners, the government, and the policy developers. Policy development that forces incremental interventions does not allow for a sustainable environment to develop.

Institutional Environment

Recommendation 2

PSIs need to develop business plans that adequately reflect their college's vision, mandate, and strategic priorities, and those that look beyond a three- to five-year timeframe. PSIs need to include broad system goals in their plans. An evaluation and review need to be undertaken to determine whether the present system goals reflect current and future needs. Included in the plans are strategies that support sustainability as well as inclusive strategies that position each sector along the educational continuum. Based on conclusions 7 and 8, college management teams are poised to move strategic planning to the next level.

Implications for practice. The interviewees exhibited a marked level of confidence as they discussed the relationship with their boards, their role in the strategic planning process, and their ability to develop strategic plans, as noted in conclusion 6. It was clear that they believed that the system goals are the same as institutional goals; that does not emerge as a major issue. What arises, however, is too much emphasis on the busyness involved with achieving these goals, as noted in conclusion 4. The focus on data capture and reporting is onerous and provides minimal reward. It diverts business

planning away from creative initiatives that truly support college-specific goals. Those are the goals and priorities that fundamentally address their unique college and situation. It may be that the motivation to become top performers, as noted in conclusion 3, takes a back seat to initiatives that will move the college toward a sustainable future. Decisions may be made that will reflect ongoing increased FLEs, or decisions could be made to cap growth and live with the consequences. The system/college goals have become so embedded in the culture that the timing may be right to pursue other goals and opportunities. Key, however, will be building a long-term plan that is framed with strategies to ensure resource availability. This should be done on an inclusive basis involving the entire education sector.

Recommendation for further research. One area that requires further study is an examination of strategic planning processes in chaotic and changed circumstances in institutions of higher learning. Because the PSIs exist in an environment of fiscal restraint, the institutions with the greatest opportunity to survive may be those that take control over their resources and planning. A further area for research is inclusive stakeholder involvement of the entire sector and its external stakeholder groups. Conclusion 5 suggests that system coordination is moving toward greater centralization, and according to the respondents who spoke to the point, this does not bode well for the system.

Recommendation 3

PSIs need to work with the department to streamline and control the type and amount of data related to their operations that are fed to the department and to the other ministries. They also need to determine how institutionally generated data can be used strategically in their business planning activities and in their day-to-day operations.

Implications for practice. PSIs must be vigilant that they respond only to requests where they know when and how the data are going to be used. Currently, considerable effort is expended on collecting data for a relatively small return. Also, PSIs must be extremely careful when it comes to determining how to use institutionally generated data. Data and data trends tell only one part of a story. Major decisions should not be expedited based on data alone and should not be made in isolation that excludes affected stakeholders.

Recommendations for further research. Further research should be undertaken related to the type of data collected and the value of that data to the system. Research should also be undertaken as to how the KPIs were defined and the process for measuring and comparing those. Based on conclusion 9, FLE growth is an accepted driver for the system, yet definitional issues associated with it remain.

Emergent Environment

Recommendation 4

Based on conclusions 10 and 11, the PSIs should ensure that they are on the government's agenda as a funding priority. Strong leadership is required to undertake this task. PSIs need to present feasible options to the government. The government needs to recognize the PSIs' dire circumstances as they relate to infrastructure and human resource

issues. The options should include alternate approaches to system development. The options must honour the basic tenets of accountability.

Implications for practice. Accountability remains an overarching goal of the system that was reinforced throughout this study and upon examination of the MLA Funding Review. A new reality for the PSIs is being lumped together (again) with the K-12 system; their issues dominate the government's priorities in comparison to the PSIs. Public support for the K-12 system is easily garnered and political pressure applied because the public believe that they understand the issues. The university sector is also highly visible, and there has been a welcomed and renewed focus on the value of research. PSIs need to position their issues in such a way as to be visible on the funding landscape. The government should pursue a review of the CHST with the federal government and evaluate how those resources are allocated throughout the sector. There needs to be coordination between the education sector and health sectors in undertaking fundamental restructuring of how education and training are delivered to the health sector, thus maximizing the public and corporate investments.

In times of restricted government resources there is a greater sense of urgency to succumb to short-term planning to survive. That is what has unfolded in the PSI sector since the 21% was mandated. Planning may have been on a three-year horizon, but resource allocation was based on one-year allotments. This caused business plans to be revisited long before there was an opportunity in some instances to fully enact the plan. The system expanded, but with that expansion came an increased demand on resources, a demand that PSIs will be unable to meet in the near future. What is required is an articulate vision of a sustained future with recommendations to the government on how

the PSIs intend to achieve this. It should outline the support required by government, and that support may not always be in the form of increased dollars.

Recommendations for further research. In light of significant changes that have occurred in the management of PSIs, it will be important to examine whether a new type of leadership is required at the college level and throughout the system. Additionally, a study could be conducted on the most effective type of leadership for a resource-dependent institution as it faces a continued environment of fiscal restraint. Leadership should not be confined to the presidents but should include the boards and individuals in senior management positions. Another area of further research would relate to studying the type of leadership required in government ministries. Ministry representatives need to position themselves in such a way as to effectively steward the resources entrusted to them while honoring the mandates of the sectors for which they are responsible. The key question to be asked is, "Can current leadership models produce the type of leader needed for the times?"

Recommendation 5

Conclusion 13 suggests that PSIs need to develop evaluation tools and commit the necessary resources to determine how reduced funding has impacted learner outcomes and institutional quality. It was found that there is growing importance associated with serving students. There was no clear evidence to support whether learner outcomes or quality have changed during the prevailing years since implementation of the PE. Individuals at all levels on the college campus should be keenly interested in how their students have been impacted by the changes on campus, particularly increased class size,

increased instructor workload, decreased learning resources, and the impact of technology and curriculum development. These are all related to institutional quality.

Recommendations for further research. Research into those areas that impact learner outcomes and quality will provide data that take into account the perspective of the student and will provide data on the impact that funding has had on these issues. There is an opportunity to examine how effective the changes related to student services have been as a result of the PE. This will provide valuable data as the colleges build their case and develop strategies for funding stability. It will also provide data on how well the college is achieving its vision, particularly as it relates to quality issues.

Revised Conceptual Framework.

Kerr's (2000) policy implementation conceptual model proved invaluable. It provided a flexible framework that was expanded to allow for specific focus on the PBF initiative. Figure 7.1 depicts the revised conceptual model based on the findings. The original model traced the impact that KPIs had as a policy implementation instrument in the Alberta system. This study found that implementation of the initiatives related to the accountability policy affected the PSIs' financial resources and impacted their decision-making ability. It was also found that it affected their ability to govern autonomously and plan strategically due to the business plan and reporting requirements demanded by the department.

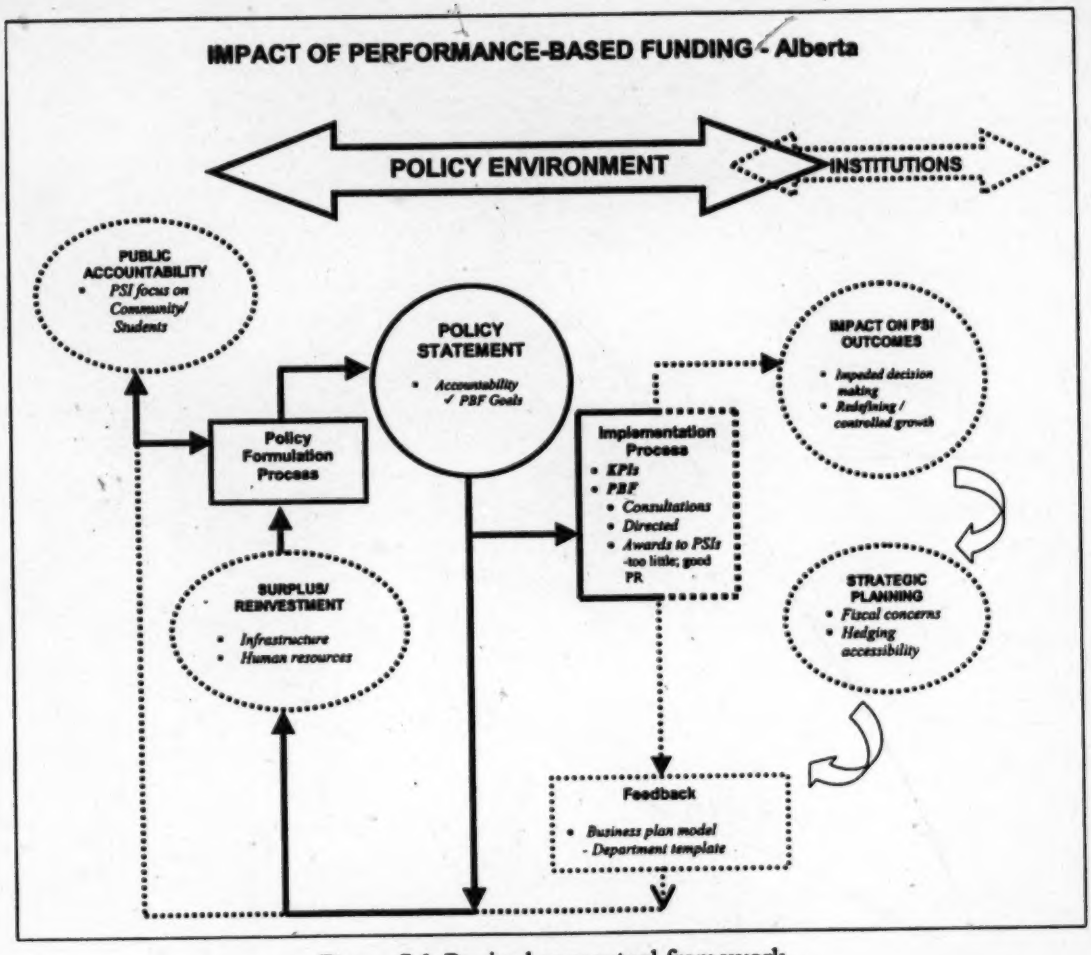

Figure 7.1. Revised conceptual framework.

The policy environment model proposed by Kerr (2000) was revised to illustrate these findings; they are shown with broken lines. Most notable is the dominant role that the policy environment has over the PSI system. It was found that the accountability policy continues to be the overarching goal for the system and dwarfs the concerns of the PSIs. The implementation process reflected the consultations process undertaken by the department as well as the directive to implement the PE. This resulted in two visible and motivating outcomes for the PSIs. First, the actual award, albeit relatively small, has

become important to the PSIs. Second, the PSIs have benefited from improved public relations.

There were considerable impacts on the PSI system related to the question under study. First, it was determined that decision making was impeded due to the requirements to respond to guidelines and priorities established by the department related to business planning. Second, defining college growth and determining program mix were no longer undertaken by the colleges; rather, controlled and mandated growth by the department has emerged. Combined, both these impacts affected strategic planning and, ultimately, institutional autonomy. Strategic planning became somewhat tenuous as severe fiscal concerns emerged related to resources available to implement plans. Colleges found themselves in a position of hedging their enrollments when they undertook planning.

Since implementation of the PE, the department has consulted with the PSIs at several key junctures. It is not clear how that feedback was used within its own planning, but it was clear that the department persisted with its business plan model and now provides the PSIs with a template to provide not only their planning, but also an ongoing process for feedback. In the interviews the annual business-plan process across the colleges highlighted two key areas of concern, needed investment in infrastructure and in human resources, which was recommended in this study to ensure that these needs are included in the policy-formulation process. The end result of the policy cycle and its starting point is accountability to the public. There has been a recent focus on serving the public and being visible in the community, and a refocus by the PSIs on the needs of its students. These changes can be attributed to the concurrent implementation of the PE and other funding initiatives. What needs to emerge for the future is a lessened focus on the

policy environment and, at a minimum, an equal or expanded focus on the PSIs. These PSIs need to determine how to control their anticipated future while respecting their institutional mandates and striving to enact the colleges' vision.

Bolman and Deal's (1997) organizational design model was a useful analysis tool. Using their four-framed model allowed for inclusion of a wide variety of pertinent assumptions that encompassed both research and theory relevant to the current postsecondary environment in Alberta. No one frame was complete in its assumptions and underlying beliefs, but it gave a specific focus to the study findings and allowed them to be analyzed, taking into consideration competing concerns within the system. I was able to view these findings with a singular emphasis on each frame and a holistic emphasis on combined frames. This enlightened the research.

The political frame stood apart based on its emphasis on power and conflict as key constructs in an environment in which there are competing interests for scarce resources. Coalition building and negotiation are already present in the PSI system and will continue into the future. The political skill of college leaders and department officials will underlie future system development. Examining this from the human-resource frame will involve those two entities' aligning their planning to the needs of those within their respective organizations and those outside of it; this will be central to future decision making.

The structural framework encompasses a perspective that recognizes the formal role of the organization with its rules, goals, and rationality. One needs to understand the role of policy, governance, and hierarchy within both these organizational structures; this defines the basic model on which they were developed, and it would be naïve to ignore

them in any type of analysis. Bolman and Deal's (1997) model provided a broadened focus on that point. The symbolic frame is also useful to understand organizations in times of ambiguity. For the PSIs there were many instances in which institutional rationality was usurped by funding initiatives that appeared illogical and in conflict with organizational goals. Overall, the analysis was made richer by using a conceptual model that has its basic precepts grounded in organizational theory.

I endeavored to interpret the experience of senior administrators in the Alberta PSI system related to the PBF initiatives. The value of the findings depended upon my ability to deal with that information in a meaningful way. Using Bolman and Deal's (1997) model brought added meaning to the findings that may not have otherwise emerged. Using their framework as an analysis tool was informing to the research. It is anticipated that further research will be undertaken that will be both enlightening and challenging to these findings; that research would be welcomed.

Personal Reflections

In September 2001 the department had requested that all PSI presidents comment on and provide input into a future consultation process that will examine issues associated with emerging postsecondary issues as the department moves to develop its 2002-2006 Business Plan. Two draft companion documents were developed and released for PSIs' review, *Profile for Alberta's Adult Learning System: A Context for Discussion* and *Alberta's Post Secondary Education System: Issues and Considerations*. Currently, presidents are in the process of determining their responses to that draft document. Once the PSIs respond, a discussion document will be prepared and returned to the institutions, and systemwide consultations will be undertaken. It is anticipated that the clear majority

of issues will relate to pressures on funding PSIs specifically as they relate to infrastructure and human resource issues.

While this is now unfolding, a tragic world event occurred: the September 11 terrorist attack on the United States. Governments worldwide are reeling from that insidious act. People in countries struggle with the loss of life and worry about their future as the US and so many countries of the world undertake this war on terrorism. Universities and colleges in every country are feeling the impact, for what institutions other than those places of higher education have such an eclectic mix of individuals? We have been exposed to all that is good about human beings: their humanity, their support, and their willingness to help. We are also exposed to all that is not good: the rage, the racist beliefs, the intolerance that we see. So many individuals are grief stricken and mourn what is lost to them forever. The underlying issues are many and complex. The North American and global economy has been badly damaged; to what extent is not known, but until it is, the focus of federal funding and, ultimately, provincial funding will take a radical shift toward defending our country and our freedom and providing aid to the very innocent. The role of higher education today in society as we know it has never been as important. Leadership at every level within colleges and universities has never been as important. In October the premier requested that all ministries reduce their budgets by 1%. This could be foreboding of another round of cuts that could be forthcoming.

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APPENDIX A

INTERVIEW GUIDE

APPENDIX A

Interview Guide

Interview Date:
Interviewee: **President (or VP Academic) (or VP Administration)**
Interviewer: Dini Corbett-Lourenço

OVERVIEW:

As President (or Academic VP or Administrative VP), you are (one of) the college's key decision maker(s). In that capacity, you have been selected to participate in this research. The goal of the research is to examine how the Performance Envelope has impacted decision making in colleges.

First, I would like to make you aware that you can choose not to participate at any time during this interview. I will be taping the interview then transcribing the material for use in data analysis. I will keep your identify confidential and will use pseudonyms in my writing. The tape will also be kept confidential and will be used only to verify statements provided on the transcript. You will be provided an interpretation report detailing how your opinions were interpreted. You have the opportunity at any time to request that comments(s) not be included in the study.

I would like you to read through the consent form that was included with my letter requesting your participation in the research. Please sign the form if you agree with the conditions.

OPENER:

- Would you please trace for me the path your career took up to your present appointment?

INTERVIEW SPECIFIC QUESTIONS – General Guide

DECISION MAKING

1. How do you describe decision making (at the college)? What constitutes a good decision?

2. In your opinion, what factors impact (or drive) decision making at the college today?

3. How have decision processes changed at the college since implementation of the Performance Envelope?

OVERVIEW ON CHANGE at the COLLEGE

1. How has the college changed since implementation of the Performance Envelope? Feel free to use specific examples.

   - what is the change?
   - how would you describe that change?
   - in your opinion, is the change you described positive or negative and why?
   - was the change related to the college's strategic direction or business plan? If so, describe that relationship

STRATEGIC PLANNING AND BUSINESS GOALS

How closely aligned is your colleges' strategic plan to the Ministry's goals for the system: accessibility, responsiveness, accountability and affordability?

2. Explain how the strategic direction of the college is affected by the existence of the Performance Envelope?

3. How has educational quality been affected by the focus on performance?

   - are you attracting qualified students?
   - has the retention rate changed?
   - are you retaining quality staff?
   - has your program mix changed?

4. How have the funding awards changed the college strategic direction?

5. What would you have done differently if the PE fund didn't exist?

6. How do you think the department intended you to use the award money?

7. What other funding issues do you believe are associated with the Performance Envelope and what impact do they have on the college?

GOVERNANCE

8. How has institutional governance at the college changed?

   - describe that change

9. How would you describe the balance between the college's strategic goals as laid out in its business plan and the ministry's goals?

10. How involved is your Board in college decisions making?

ACCOUNTABILITY

11. How has implementation of Performance Envelope increased the college's accountability?

Thank you! (Reiterated what will happen with the data and follow up from the interview.)

APPENDIX B

PARTICIPANT LETTER AND CONSENT FORM

DINI CORBETT-LOURENÇO

367 LESSARD DRIVE, EDMONTON, ALBERTA T6M 1A6
780-487-1613
780-443-3046
E. DINICL@POWERSURFR.COM

[DATE], 2001

[Courtesy] [First] [Last]
[Title]
[Address]

Dear [Courtesy] [Last]:

SUBJECT: Consent to Participate in Research Study

This letter is a follow-up to our conversation regarding your participation in a research study that will examine how the Performance Envelope as applied in Alberta, serves as an incentive to colleges to make changes that would both support the colleges' strategic direction and the Learning Ministry's business plan goals.

You will be involved in an interview held in your office at a mutually agreed-to time that will last approximately 60 to 90 minutes. The interview will be audio taped and interview notes taken. I will be transcribing the tapes thus limiting disclosure and then providing you with an interpretation report that summarizes your opinions as I understood them. You will have an opportunity to review this report and request that any comment and/or interpretation be clarified or not included in the study. On final agreement, you will be asked to verify and certify this report. You will have the opportunity to opt out of the study at any time up until the completion of the research. If you choose to opt out, your data will be returned to you and will not be used in the study.

Attached are two copies of a consent form that I require to be signed by you upon agreeing with the terms outlined with respect to your involvement in the study. You can provide one of the signed consent forms to me at the beginning of our interview; the second form is for your records and includes contact information for my research supervisors in the event you would like to discuss the study with them. If you wish to exercise your opt-out right, please contact me by any method listed on the consent form.

Please contact me if you require any further information. Thank you for agreeing to participate; I look forward to the interview!

Sincerely,

Dini Corbett-Lourenço
PhD Full Candidate, Educational Policy Studies
University of Alberta

Enclosure

Consent to Participate in a Research Project

PLEASE ACKNOWLEDGE YOUR CONSENT TO PARTICIPATE IN THE RESEARCH STUDY AS DESCRIBED IN THE LETTER ADDRESSED TO YOU AND DATED [ ].

SIGNED _____ DATE _____

RESEARCH SUPERVISORS:

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APPENDIX C

TRANSCRIPT LETTER

DINI CORBETT-LOURENÇO

367 LESSARD DRIVE, EDMONTON, ALBERTA T6M 1A6
P. 780-487-1613
F. 780-443-3046
E. DINICL@POWERSURFR.COM

[DATE], 2001

[Courtesy] [First] [Last]
[Title]
[Address]

Dear [Courtesy] [Last]:

SUBJECT: Interview Transcript

Thank you so much for allowing me to interview you on [ ]. Further to my [ ] letter to you, I have enclosed a copy of the interview transcript. Please review the contents to ensure I accurately captured your comments. Initially the intent was to provide an interpretation report but the transcript was rich with comments throughout that will be helpful in shaping my analysis of the impact the Performance Envelope has had on decision making in colleges, therefore presenting the entire transcript became important for the study.

If you feel clarification is needed on any points, please note those comments using the line numbering on the transcript as the reference point so I can accurately incorporate your comments, changes or additional thoughts.

Please be assured that your comments will be presented in an anonymous manner and pseudonyms assigned. Institutional references will not be made and quotes that are used in the research will not be attributed to any one of the pseudonyms used in the study. You may withdraw from the study at any time up until publication by notifying me at the above address or by e-mail.

Again, thank you for your participation; I thoroughly enjoyed the opportunity of meeting you, learning more about [your college], and of course, interviewing you.

Sincerely,

Dini Corbett-Lourenço
PhD Full Candidate, Educational Policy Studies
University of Alberta

Enclosure